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NEWS SUMMARY

GENERAL

killed, badly hurt in pit blast

...e men were killed and ...t others were "very critic-...ill" last night after being ...ped by an explosion in ...orne Colliery near Wigan, ...ashire.

...cal ambulancemen broke ... strike to take the badly ...ed survivors to hospital ...n blast in a roadway ... feet below ground.

...e 11 men were carrying ... maintenance work when ...accident happened. It took ...ers three hours to free ... survivors.

...r. Julian Griffiths, the Coal ...d's deputy-director (min-... in the area, said: "We ...t yet know what caused ...methane to explode." Safety ...rts are investigating.

...change in ...rman polls

...Social Democrat and liberal ... Democrat Parties will be ... to maintain power in West ... in following elections ...erday.

...rly computer estimates ... that, although the opposi-... Christian Democrats gained ...tly on their result four ...s ago, they failed to win ...lute majority. The SPD ...a little ground and the FDP ...d.

...elections held in the state ... Rhineland Palatinate, the ... seemed certain to retain ...

...etnam riddle

... Vietnam and China now ... to be ready for peace ... although it is not clear ...her Chinese troops have ...pletely vacated Vietnamese ...tory. China claims the key ...peace is Vietnamese with-...awal from Cambodia. Page 2

...anium inquiry

...ain's attempt to fulfil its ... of a European Commission ...ey of uranium deposits in ...land, including the Orkneys, ...d be blocked if a public ...iry this week backs environ-...tal protestors. Page 4

...amibia gloom

...eign Secretary David Owen ...ved in New York for U.N. ...s on Namibia and said it ... hard to be optimistic about ... outcome. The talks will ...de whether the territory ...s independence from South ...a on terms acceptable to ... UN. Page 2

...heatre row

...king stage staff at the ...ional Theatre, London, have ...n suspended. Their action ...led to eight performances ...ng cancelled, costing an ...mated £30,000. The dispute ...ver negotiating rights for a ...ductivity deal.

...rain strike off

...ders of 4,000 Southern ...ion train drivers yielded to ...on executive pressure to call ...a planned 24-hour strike on ...dnesday in protest over ...y in publishing a tribunal ...ort on their 10 per cent ...us claim.

...riefly...

...cks from China's Great Wall ... being stolen for house-...lding, the Peking People's ...ly reports in a plea for pro-...ion of ancient monuments.

...aprakash Narayan, who led ... movement against Indian ...e Minister Indira Gandhi's ...e in 1974, is critically ill. He ...'6.

...ry Sheene won the 500cc ...t of the Venezuelan Motor-...le Grand Prix in San Carlos.

...ial workers on strike in ...erpool for 22 weeks return ... work today after accepting a ...grading scale worth 23 per ...nt.

BUSINESS

Lonrho attacks Arab dealing

● **LONRHO**, the trading and industrial conglomerate, has attacked attempts by Sheikh Nasser Sabah Al Ahmed, who controls a major shareholding, to replace two Lonrho directors with his own representatives.

The Sheikh and another Arab, Dr. Khalil Osman—both former directors of Lonrho—are also criticised for their dealings in Lonrho shares.

The company claims that, since October, 1974, the dealing activities of Sheikh Nasser and his associates, which allegedly included purchases of about 6m shares and sales of more than 4m, "detrimentally affected the share price of Lonrho." Page 28

● **ROYAL DUTCH SHELL** is to receive about £29.5m from Gulf Oil in settlement of a contentious aspect of their nuclear partnership. Back Page

● **SHELL AND ESSO** have started laying a £30m gas gathering pipeline in the North Sea to link the Cormorant and Brent Fields. Page 4

● **IRAN'S ISLAMIC** Government will not honour any contracts in which evidence of corruption has been found, according to Mr. Ali Akbar Moinfar, Minister of State for the Planning and Budget office. Back Page.

● **MORE THAN** half the consumers surveyed in the latest Financial Times survey of consumer confidence, believe that the Chancellor should not increase the duty on ... tobacco in next month's Bu... Page 6

● **TRADING** in March wheat futures on the Chicago Board of Trade, the world's largest grain market, has been halted altogether on orders of the Commodity Futures Trading Commission, the market's policeman. Page 2

● **U.S. BOND** markets should set a firmer course this week as the state of the economy becomes clearer and a major benchmark issue goes on sale. Page 31

● **SOCIETY OF BUSINESS ECONOMISTS** study shows that many forecasts of economic indicators are not much better than projections on a no-change basis. Page 4

● **MIDLAND BANK** is launching a new long-term loan scheme for small businesses and creating a special unit to co-ordinate services in this area.

LABOUR

● **BRITAIN** faces a week of mounting disruption to its public services as ambulancemen and hospital workers plan to step up industrial action over pay. Back Page

● **GOVERNMENT** plan to guarantee payments for ship repair and conversion work may help save jobs and win a £20m order for George Clark and NEM, the Tyneside marine engine builder. Page 5

● **ENGINEERING** Employers' Federation is advising about 6,000 members to take a firmer and united stand against industrial action. Back Page

COMPANIES

● **SAINT - GOBAIN - PONT-A-MOUSSON**, France's largest quoted company, reports a drop in net profits at parent company level to FFr 266m (£30.5m) from FFr 354m in 1977, following the same trend as the group as a whole. Page 29

● **HOOVER** sales improvements, in both home and export markets, will continue this year, says Mr. M. R. Rawson, chairman, in his annual review. Page 28

CONTENTS

For latest Share Index phone 01-246 8026

Government may face crucial test in no-confidence vote

BY RICHARD EVANS, LOBBY EDITOR

The Government's ability to survive into the summer or autumn is now likely to be put to a crucial test in a vote of no confidence at the end of the month backed by the Conservatives, Liberals and Nationalist MPs.

This would be the inevitable outcome of the Prime Minister's statement to the Commons tomorrow or Wednesday if, as expected, Mr. Callaghan declines to announce an early date for the debate on the result of the Scottish referendum on devolution.

The Scottish Nationalists, who have given the Government an ultimatum to debate the Order repealing the Scotland Act, were standing by their threat last night to table a motion of no confidence if there is no debate planned for next week.

They would certainly be joined by the Welsh Nationalists, Liberals and Conservatives and Mr. Callaghan would be faced with the real prospect of defeat and a General Election at a time not of his own choosing. The complex Commons arithmetic shows that his fate would depend on the attitude of the Ulster Unionist MPs, who are relishing their position of influence more than ever.

But the signs are that Mr. Callaghan has decided to take the gamble of his political career and face the challenge of a motion of no confidence rather than the even greater danger of defeat on devolution at the hands of his own party rebels. Their uncompromising attitude would mean that the Scotland Act would almost certainly be repealed, to the fury of the Nationalists.

Although the first move will probably be made by the Nationalists because of the delay in debating devolution, the Conservatives will table their own motion of no confidence immediately the 11 Scottish Nationalists and three Plaid Cymru MPs have signalled their intentions.

As the main Opposition party, the Tories would take precedence, and it would be their terse motion of no confidence in the Government that would be debated. The Nationalists and the Liberals have already made it clear they would support such a motion.

Mr. Callaghan believes that maintaining the Government's commitment to devolution by delaying the debate on the annulment Order will give him more scope to manoeuvre than seeing the Scotland Act killed off and then facing the inevitable motion of no confidence. The tactic of delay will help maintain fragile Labour Party unity in Scotland and will give some scope for dividing the Nationalists.

Option

The purpose of Mr. Callaghan's statement this week will be to gain time by seeking all-party talks on the annulment Order and the future of devolution. If the Government can gain the sanctuary of the Easter recess on April 12 it would create the option of a June election.

Although the indications are that this timetable will not be fast enough for the Nationalists, Ministers doubt if the SNP is as anxious for an early election as is claimed. Opinion polls and the referendum results show that the Nationalists could lose half their Parliamentary seats.

If the Government was defeated in a vote of no confidence next week, before the Budget on April 3, there would have to be a spring election and agreement between Government and Opposition on whether to introduce a technical revenue-raising Budget before Parliament was dissolved.

A ploy that could divide the Nationalists would be to offer a debate on the Scotland Act Order in April, after the Budget. This could dissuade some Nationalists from pressing ahead with the motion of no confidence and would make certain that the Government reached the recess—Mr. Callaghan's prime concern.

The events of the next 10 days should determine whether the Government can hang on, and the critical factor will be the attitude of the Ulster Unionists. The perilously balanced Commons arithmetic gives combined Opposition parties a voting strength of 308 and Mr. Callaghan's minority Government and its allies 310 votes.

Continued on Back Page

Saudi and Jordan still hostile to peace treaty

BY ROGER MATTHEWS IN CAIRO

PRESIDENT CARTER'S national security adviser, Mr. Zbigniew Brzezinski, arrived in Cairo last night after visiting Saudi Arabia and Jordan, where he apparently had little success in trying to stem hostility to the proposed Egyptian-Israeli peace treaty.

A Saudi statement after his visit indicated that the treaty was an inadequate solution to the Middle East conflict.

Mr. Brzezinski's trip to Jordan came the day after a highly significant meeting between King Hussein and the Palestinian leader Yasser Arafat at which Jordan emphasised its determination to press for a comprehensive settlement.

The Jordanian Government, with its vital involvement in the resolution of the Palestinian issue, made a brief statement after the visit reaffirming its support for "comprehensive peace," and implying disapproval of the separate treaty.

Egypt last week tried to put its case to Saudi Arabia, whose large scale financial support is crucial, but Vice-President Hosny Mubarak is understood to have received a cool reception when he visited Riyadh.

Mr. Zbigniew Brzezinski moves on to Cairo

With Iraq now calling for another Arab summit, and urging the implementation of the economic and political boycotts of Egypt outlined at the Baghdad meeting last November, the attitudes of Saudi Arabia and Jordan are central to deciding whether President Sadat of Egypt is going to be effectively isolated from his former close allies. Mr. Brzezinski was to report to him on his trip.

Prime Minister Mustapha Khalil of Egypt insisted at the weekend that the treaty would not in any way weaken the country's ties with other Arab countries. He claimed that it was a triumph for both Egypt and the Palestinians.

The Treaty would mean the Arabs would regain East Jerusalem—annexed by Israel after the 1967 war—and Israel would withdraw behind its borders of 11 years ago, Mr. Khalil claimed.

He dismissed as "baseless and utter lies" any suggestions that Egypt was about to sign a separate peace with Israel. However, publication in Cairo yesterday of the Arabic version of the interpretative letters attached to the treaty would seem to indicate very little "linkage" between the agreement and moves towards estab-

Continued on Back Page

NatWest may have to spend extra $100m. on U.S. deal

BY STEWART FLEMING AND MICHAEL LAFFERTY

THE National Westminster Bank may have to spend a further $100m or more buying control of the National Bank of North America as a result of conditions the Federal Reserve Board has laid down in granting approval for the deal to proceed.

The conditions could present NatWest with a significant but by no means insurmountable obstacle to the acquisition and might involve it in having to reopen negotiations with NBNA's owners CIT Financial. This is one of several loose ends which remain to be tied up before the three foreign banks which received FRB approval on Friday can proceed to buy three U.S. banks with combined assets of $24bn.

It seems likely that negotiations between the parties will start immediately. Mr. Alex Dibbs, the NatWest deputy chairman, may visit the U.S.

The obvious solution is for NatWest to purchase 100 per cent of NBNA, and this was described as "an obvious possiblity" by the NatWest chief executive, Mr. Jeff Benson, yesterday. Mr. Benson said he was not "unduly worried" about the problem. "I do not see it as a major obstacle." NatWest would wait until today to decide on a course of action, he said.

Meanwhile, Mr. Walter Holmes, chairman of CIT, warned that a fundamental condition of its agreement to accept NatWest's offer was a determination by the FRB that after the sale CIT would no longer be a regulated bank holding company.

"The sale will not be made unless we are able to resolve this issue. We are immediately going to address ourselves to seeking a solution to this problem." CIT is under no pressure to divest itself of NBNA under the 1970 Bank Holding Companies Act.

The largest transaction approved by the FRB was a proposal by Hong Kong and Shanghai Banking Corporation to buy by the end of 1980 51 per cent of Marine Midland Banks of New York for about $62m. The FRB also said that Standard Chartered Group of London could purchase Union Bank of Los Angeles for $372m, and NatWest could buy 75.1 per cent of NBNA for $300m.

The Hong Kong deal with Marine Midland, however, still needs the approval of the New York State banking superintendent Miss Muriel Siebert.

As Marine Midland is a state chartered bank, Miss Siebert must authorise any shareholder wanting to exercise voting rights accounting for over 10 per cent of the voting capital after the shareholding has been acquired.

In its statement on the Hong Kong-Marine Midland deal the FRB notes that Miss Siebert did not recommend denying Hong Kong and Shanghai Bank approval to buy control of Marine. Miss Siebert's attitude to the transaction could be influenced by the fact that Marine is in need of the additional capital

So far as the NatWest agreement with CIT Financial is concerned, the FRB decision raises a central issue for the U.S. company. The FRB determined that CIT would not cease to be a bank holding company by disposing of 75.1 per cent of NBNA since its remaining 24.9 per cent stake could leave it in a position to exercise influence

Foreign banks break through in U.S., Page 14
Lex Back Page

OPEC MEETS NEXT WEEK

African oil producers plan surcharges

BY KEVIN DONE, ENERGY CORRESPONDENT

NIGERIA, Libya and Algeria, the three major African crude oil exporting countries, are expected to introduce surcharges of $2.50 to $5 a barrel from April 1.

The three countries, which together account for about 17 per cent of OPEC production, met in London last week to discuss a co-ordinated pricing strategy in advance of the OPEC consultative meeting in Geneva on Monday next week.

OPEC members are to discuss the dislocation in world oil markets caused by the 10-week halt of crude exports from Iran. Several OPEC producers have already taken unilateral action to raise their official selling prices above the levels agreed at their last meeting in December.

Moderate members have stressed that next week's meeting in Geneva has not been called to change the basic oil price structure, but the meeting is likely to endorse action by individual producers to impose their own "temporary surcharges" for as long as crude oil remains in short supply.

Main source

The African producers are one of the main OPEC sources of light, low-sulphur crude oil, the grade most in demand in world oil markets.

Algeria has already made it clear that it considers a premium of up to $5.15 a barrel above the OPEC basic justified in the second quarter. This would bring the price of its Saharan blend to $19 a barrel.

The final price could be higher if Saudi Arabia increases the price of Arabian light, the OPEC marker crude, by more than the 3.8 per cent agreed by OPEC in December for the second quarter this year.

The present OPEC marker base is $13.34 a barrel, and this is due to rise to $13.85 on April 1. Algeria has charged only an agreed quality premium of $1.46 a barrel in the first quarter but has told buyers this could be increased to $5.15 a barrel in the second quarter. Some oil traders are concerned, however, that two "marker" crude prices could emerge in the second quarter after the OPEC meeting.

It appears that Iran has already sold most of the oil it will be able to produce for export in the second quarter at a price of about $19.50 a barrel for light crude, similar to Arabian light, which at present will have an official selling price of $13.85 in the second quarter.

If Iraq, which has already applied a surcharge of $1.20 a barrel in the first quarter to its similar light crude, decides to press for higher increases in the second quarter, it is possible that two "marker" prices for light 34-35 degree API crude will emerge, adding greatly to the present pricing uncertainty.

At the very least, pressure is bound to mount on Saudi Arabia to add a surcharge to the base price for Arabian light.

Of the African producers, Nigeria is still to add any premium to its levels set in December. But following last week's London meeting it is expected to look for an increase of at least $2.50 a barrel from April 1.

Japan buying

Libya, which applied a surcharge of $1.38 a barrel on March 3, is expected to seek a premium of $3-$5 a barrel above the market price from April 1.

Pressure to secure Iranian supplies has been increased in recent days by the independent oil companies, especially those from Japan, which face shrinking supplies from the major international oil companies. It is understood that about 10 per cent of Iranian second quarter supplies have already been sold to a single Japanese oil trading house, Mitsui, as part of a longer term contract.

Mr. E. G. Werner, a managing director of the Royal Dutch/Shell group, has warned that the present level of oil stocks in the consuming nations is rapidly approaching the minimum necessary for orderly operation. "I can see no possible way of building up stocks to a more comfortable level when we enter the winter season," he said.

FT guide to EMS intervention rates

At the beginning of the first full week of the operation of the European Monetary System, the Financial Times today publishes a guide to the limits within which member currencies must operate.

Page 2

Railway pension funds to end art buying

BY CHRISTINE MOIR

British Rail's pension funds are to stop their controversial policy of buying works of art.

Mr. John Morgan, the general manager, has agreed to let the fine art fund spend up to £12m more on "rounding out" existing collections but all buying will then cease.

The funds' art purchases to date amount to £28m and include 12th-century candlesticks, Picasso's "Young Man in Blue" and Chinese and Egyptian antiquities.

Since 1974 British Rail has been spending in the fine art auction rooms around 4 per cent of the new money flowing into its pension funds each year.

When that policy became publicly known last year it aroused a storm among MPs and trade unionists.

At the time BR defended itself on the grounds that it needed to diversify its investments as widely as possible and to seek the maximum shelter from future inflation.

But art works are also a headache to own, expensive to insure and produce no income to offset the cost of exhibiting them.

British Rail is also daunted by the way the fine art collection would grow if it continued to commit a fixed proportion of its income to such purchases.

Mr. Morgan said: "The trustees have now decided that fine art should not represent a major diversification in a portfolio of this size." British Rail's pension funds already total £750m and are growing at around 10 per cent a year.

Mr. Morgan has also decided to pull out of investment in commodities. A similar sum to that invested in fine art has been invested in commodity unit trusts over the past two or three years.

The trust avenue was chosen because British Rail could not supply its own commodity management team. But, put simply, British rail's funds and their income are too big for this avenue.

At present the funds budget to keep about 10 per cent of their money in cash and fixed securities, 40 per cent in UK equities, 10 per cent in overseas securities and 25 per cent in property. A further 8 per cent has been in commodities and fine art, leaving 7 per cent flexible.

PLO-Jordan accord marks setback for peace treaty

BY RAMI G. KHOURI IN AMMAN

AMERICAN hopes of drawing King Hussein of Jordan into the proposed negotiations with Israel and Egypt over the future status of the occupied West Bank and Gaza were badly set back again over the weekend by a historically important meeting between Jordanian and Palestinian leaders. They reaffirmed their commitment to the November Arab summit in Baghdad, which pledged stringent measures to isolate Egypt from the rest of the Arab world in the wake of a separate Egyptian-Israeli peace agreement.

Four hours of talks in Northern Jordan between King Hussein and Mr. Yasser Arafat, leader of the Palestine Liberation Organisation and their delegations were followed by a joint statement affirming the commitment to the Baghdad summit decisions and pledging joint action to enable the Palestinians living under Israeli occupation to withstand the limited autonomy plan for the West Bank and Gaza.

The two sides stressed the Palestinian people's rights "to return to its homeland, to self-determination and the establishment of their independent state in their homeland."

Mr. Arafat's visit, on the invitation of King Hussein, is the first official visit he has made to Jordan since the Palestinian resistance movement left here after the 1970 and 1971 fighting with the Jordanian army.

The rapprochement between Jordan and the PLO emerged on the eve of the arrival here of Dr. Zbigniew Brzezinski, the U.S. Security Affairs Adviser who immediately held talks over lunch with King Hussein.

There is a combination of bewilderment and embarrassment among members of the Jordanian leadership in the face of the American drive to elicit Jordanian support for the Camp David negotiations over the future of the West Bank and Gaza.

While the Americans would like to bring Jordan into the talks with Egypt and Israel, the exact opposite has been happening. Jordan has been steadily finding more comfort, if not material assistance, in the anti-Egypt consensus of the Arab world that has emerged during and since the Baghdad summit.

Ihsan Hijazi adds from Beirut: The PLO and Jordan have decided to set up a higher committee for future co-ordination, according to informed observers here.

The formation of the committee, which will be headed jointly by Mr. Arafat and Jordanian Prime Minister Modar Badran, is one of the main results of the meeting between Mr. Arafat and King Hussein.

The observers said King Hussein endorsed a proposal by Mr. Arafat for holding an Arab mini summit in Saudi Arabia to chart a common Arab course after the meeting of Arab foreign and economy ministers, called by Iraq to enforce sanctions against Egypt. Mr. Arafat was reported to have told the monarch that Syrian President Hafez Assad already endorsed the idea.

King Hussein laid a special emphasis on the need to boost the military strength of Arab frontline states, namely Syria, Iraq, Jordan and the PLO, the observers said, and added King Hussein told Mr. Arafat that Jordan intends to obtain sophisticated weapons "irrespective of the source." At present all Jordanian arms supplies are provided by the West.

Reports in the Press here yesterday said Mr. Arafat proposed Al Mafraq, some 45 miles from Amman as a site for the talks because he was afraid that if he went to the Jordanian capital Palestinians would try to organise demonstrations in his support against the wishes of the Jordanian Government.

On bilateral relations, the daily As Safir here which is close to the Palestinians, said there was an "qualitative" breakthrough. Jordan continued to refuse to allow the guerrillas to re-establish military bases on its territory. King Hussein's army expelled them from Jordan in 1971.

Emirates in crucial unity debate

By Kathleen Bishtawi

THE UNITED Arab Emirates is to have one of its most crucial meetings of the seven rulers this week since the creation of the federation in 1971.

The Supreme Council of the UAE is to meet today to discuss a 10-point memorandum put forward last month by the UAE federal council. Ever since the upheaval in Iran, the ruling sheikhs have, for the first time in recent years, been getting down to serious negotiations about measures to strengthen the union and bring greater cohesion to the country.

There are however a number of tricky points on the council's agenda. The most troublesome, western diplomats see, is the question of the armed forces, for about a year ago Sheikh Zaid, President of the UAE and Ruler of Abu Dhabi, appointed his son, Sultan, as Commander-in-Chief of the armed forces, with seemingly little reference to Sheikh Rashid, vice-president and Ruler of Dubai, and his son, Sheikh Mohammed, Minister of Defence. Any change now in the army's leadership would thus involve a climb down by either emirate, unless a compromise candidate can be found.

Another item on the agenda concerns the establishment of a central bank in the emirates, a move which some rulers have resisted, fearing greater economic control from Abu Dhabi, the richest Emirate. The draft law of the central bank would require each emirate to channel part of its oil or other revenues through the bank and also make long term deposits with it.

The financing of the federal budget has also proved a perennial problem for the UAE, for at the moment only Abu Dhabi, with its massive oil income, contributes to it. However, the rulers are now understood to be discussing various formulae whereby each emirate will contribute to the budget in accordance with their financial capability.

The supreme council meeting has been long awaited and follows numerous calls by the 40-man federal council for greater unity within the country after the unsettling events in Iran. The seven rulers have not had a supreme council meeting since November 1976.

THE FT GUIDE TO THE EMS

INTERVENTION RATES

	D-Mark	French franc	Dutch guilder	Belgian franc	Italian lira	Danish krone	Irish punt	ECU central rates; % divergence indicator
D-Mark	—	2.2581 2.3621	1.0596 1.10835	15.2665 16.0740	430.698 485.576	2.7598 2.8864	0.23806 0.269937	2.51064 ±1.1325
French franc 10	4.2335 4.4285	—	4.5880 4.7990	66.5375 69.600	1,864.9 2,102.5	11.9490 12.4965	1.11739 1.16881	5.79831 ±1.35
Dutch guilder	0.90225 0.94375	2.0838 2.1796	—	14.1800 14.8325	397.434 448.074	2.5464 2.6636	0.23813 0.249089	2.72077 ±1.5075
Belgian franc 100	6.2210 6.5050	14.3680 15.0290	6.7420 7.0520	—	2,740.44 3,089.61	17.559 18.367	1.64198 1.71756	39.4582 ±1.53
Italian lira 1,000	2.059 2.322	4.7560 5.3620	2.23175 2.5160	32.365 36.490	—	5.8130 6.5530	0.543545 0.612801	1,148.15 ±4.0725
Danish krone 10	3.4645 3.6235	8.0010 8.3690	3.75425 3.9270	54.445 56.950	1,526.05 1,720.45	—	0.914243 0.956424	7.08592 ±1.635
Irish punt	3.7050 3.8750	8.5555 8.9495	4.0145 4.1995	58.2225 60.9020	1,631.85 1,839.78	10.4555 10.9365	—	0.662638 ±1.665

QUANTITIES OF EACH CURRENCY IN ECU BASKET + WEIGHTING PER CENT

D-Mark	£ sterling	French franc	Lira	Guilder	Belgian franc	Lux. franc	Danish krone	Irish punt
0.828 (33%)	0.0885(12.4%)	1.15 (19.8%)	109 (9.5%)	0.286 (10.5%)	3.66 (9.2%)	0.14 (0.35%)	0.217 (3.1%)	0.00759(1.15%)

THE TABLE illustrates all the potential points at which Central Banks will be required to intervene under the European Monetary System, which was formally introduced last week.

There are two basic mechanisms which can measure the point at which a currency has risen or fallen beyond its EMS limits. They are the "parity grid" system; and the European Currency Unit "ECU divergence indicator."

1—Parity grid: The first seven columns of the table show the upper and lower intervention rates for all currencies within the EMS against all other currencies within the system. The Deutschemark, for instance, can rise to a maximum level within the snake of FFr 2.3621 (line one, column two). The other side of that same equation is that the French Franc can fall to a minimum level against the D-mark of DM 4.2335 for 10 francs (line two, column one).

Under the EMS rules, no member currency can move by more than 2.25 per cent against any other currency. The exception is the Italian Lira, which can move by up to 6 per cent either way.

2—The ECU Divergence Indicator: The "European Currency Unit" is at the centre of the EMS system. It is referred to either as a currency basket or a currency cocktail. It is a notional unit of currency, similar to an International Monetary Fund Special Drawing Right (SDR). Its make-up is shown across the bottom line of the table.

The British pound continues to be a component of the ECU although the UK is not a member of the EMS. The precise mix of the "ECU cocktail" is derived from differing shares of EEC output.

The central rate of each EMS member currency against the ECU is shown in column eight of the table. It is against this central rate that the "ECU divergence indicator" will be calculated.

Each currency has been allocated a maximum percentage deviation against its ECU central rate (shown as a percentage figure in column eight. When it has reached this threshold, there is a "presumption" (but not an "obligation") that action will be taken to rectify this situation.

The maximum divergence indicator against a currency's ECU central weight varies from currency to currency. It is based on a formula for each currency which is: ¾ x 2¼ (1—wi), where wi is the weight of the currency in the ECU. (In the case of Italy, the figure six displaces 2¼ in the formula; Luxembourg shares a divergence factor with Belgium, with which it has an effectively common currency.)

The EEC Central Banks were last week refusing the release of these divergence factors, apparently in an attempt to make the lives of currency speculators harder.

If a currency reaches these limits, it is "presumed" that the errant Government will consult with its EEC partners and take action in one or all of the following ways—intervention in the exchange market, changes in domestic monetary policy, changes in central rates (devaluation or revaluation) or other economic policy measures.

This complicated double system results from wrangling when the EMS idea was being developed. The old currency snake involved only the parity grid system. The potentially weaker members of EMS felt that the parity grid tended to put the onus for adjustment on to the weaker countries and to demand no compromise from strong currency members. It was thought that the ECU divergence indicator would spread the onus for action more equitably.

Germany, which is adamant that it should not be forced to endorse inflation in its own currency because of EMS, resisted this innovation. As a result the system today is a mixture of unbendable limits defined in currencies, and indicators of some sort of obligation to take corrective action, based on the ECU.

One of the ironies in the lengthy debate that has led to EMS is that if the system had started on January 2, as originally planned: and if Britain had participated, the current strength of sterling would now be causing it to be pushing up against its upper limits under the divergence formula. An innovation which Britain favoured as a weak currency country, would now be forcing it to face up to the responsibilities of a strong one.

Hostile reply to Rhodesia plan

BY OUR FOREIGN STAFF

THE JOINT call by Britain and the U.S. for all parties to accept the principle of UN-supervised elections in Rhodesia and negotiations over conditions for holding them received a hostile reception from all but one of the transitional Government leaders in Salisbury yesterday.

The statement, issued simultaneously in London and Washington, by Dr. David Owen, the British Foreign Secretary, and Mr. Cyrus Vance, the U.S. Secretary of State, said that they did not believe that the elections planned for April 20 would stop a protracted war within the country. It was hoped that negotiations in internationally supervised elections could begin before April 20.

The statement was being seen in Salisbury yesterday as a mischievous attempt to disrupt the voting rather than a constructive effort to solve the crisis. Only one Rhodesian political leader—Chief Chirau—who has long favoured all-party talks, welcomed the suggestion, saying he favoured an immediate conference.

None of the leaders commented on the call for UN-supervised elections, but restricted their criticism to the Anglo-American suggestion of negotiations over how to hold them.

The Rev. Ndabaningi Sithole said all-party talks before the poll next month would be disastrous." Dr. Owen was merely trying to dleay the elections, he said.

He agreed with the concept of all-party talks, but the timing was wrong. Personal antipathy between Dr. Owen and Mr. Smith would not allow a conference to produce anything positive," Mr. Sithole claimed.

Bishop Muzorewa also accused Dr. Owen of gimmickry. Britain and the U.S. had been told last October in Washington that the transitional government favoured an all-party meeting and on several subsequent occasions leaders of the interim government had appealed to Dr. Owen to convene a meeting. There was no comment from Mr. Ian Smith.

The transitional Government announced at the weekend a general amnesty guaranteeing nationalist guerrillas "a safe return" and rehabilitation before the elections. One and a half million pamphlets in three different languages appealing to Zipra and Zanla guerrillas to return home in peace are to be distributed.

Left's hopes rise in French poll

By David White in Paris

FRENCH VOTERS went to the polls yesterday in the first round of cantonal elections which, although their importance has been played down, will give a measure of the Government's standing a year after its hard-fought general election victory.

The ballot is for half the seats in each of France's departmental councils. Councillors, one from each canton, sit for six years and are elected in two batches every three years.

The poll is expected to follow recent byelection trends and strengthen the position of the left wing parties in a number of departments, in several of which the Government's centrist and Gaullist candidates stand to lose their majority.

The last cantonal elections in 1976 gave the left just over half the total vote and were followed by victories in municipal elections the next year.

Although results on a national scale are likely to be distorted by a low turn-out and by local issues, they will give a clue as to how far the leadership of the four main parties is followed by their electorates, and as to how harshly the French public judges the Government's economic policy at a time when unemployment has become the main political issue.

The elections were taking place in 1,763 cantons in metropolitan France and 71 overseas. Early indications suggested a fairly low turn-out in poor weather with only 20 per cent of the 18.6m eligible voters placing their ballots before midday.

Cantonal elections are traditionally a source of some indifference and their significance has been overshadowed this year by the forthcoming European Parliament ballot.

But M. Georges Marchais, the Communist leader, last week said they would reinforce the censure motions which were brought by the Opposition during an emergency Parliamentary debate on unemployment which ended on Friday.

Carter energy move

President Carter is to confer at Camp David today with senior Cabinet and White House officials on a new national energy policy and a possible strengthening of the existing anti-inflation programme, Jurek Martin writes from Washington.

The key question is whether Mr. Carter will in the next few weeks elect to retain, phase out or completely remove federal controls over domestic oil prices.

The special meeting may also decide on further cuts in the projected budget deficit for the 1980 fiscal year.

Vietnam, China ready to talk

BY OUR FOREIGN STAFF

BOTH VIETNAM and China claimed at the weekend to be ready for peace talks, though it is still unclear whether Chinese troops have completed their retreat from Vietnamese territory.

China's premier, Deng Xiaoping has claimed that Chinese troops have now "entirely" withdrawn from Vietnamese territory. Stressing Chinese eagerness to open talks with the Vietnamese, he claims the key to peace is Vietnamese withdrawal from Cambodia. An official Chinese statement insisted that continued occupation of Cambodia would lead to "unthinkable grave consequences."

Vietnam's official Communist Party newspaper, Nhan Dan, yesterday proposed that peace talks should start on Friday (March 23), and suggested Hanoi, or the flattened city of Lang Son, as the venue. Some Bangkok analysts took this proposal as confirmation of complete Chinese withdrawal from the Vietnamese territory, since the Vietnamese have previously insisted that complete withdrawal was a precondition for talks.

Reports are contradictory, however. The same Nhan Dan article attacked the Chinese as "professional liars," accused China of being a "direct and dangerous enemy" and claimed Chinese troops were still inside Vietnam.

"The Chinese reactionaries . . . still maintain their troops in many areas of Vietnamese territory and close to the border ready for other acts of war against Vietnam," the report says.

As the Soviet Union reported a rapid Chinese troop build-up north of Laos, the Vietnamese repeated demands that Chinese troops withdraw from the Laotian border. They also warned South-east Asian countries to stay out of the conflict. This is presumably a [illegible] to a plea by ASEAN heads of state for an end to conflict in Indochina. It may also be a warning to Thailand against involvement in western Cambodia.

The Chinese also issued a warning to leaders in South-east Asia. The official government Xinhua newsagency said: "The flames of war which Vietnam has kindled in Kampuchea (Cambodia) might spread to other Southeast Asian countries at any time."

It was also reported from Hanoi that Vietnam's leader, Le Duan, met yesterday with the Soviet ambassador, thanking the Russians for "meeting their commitments in accordance with the Treaty of Friendship and Co-operation." There has been speculation that Vietnam might have been annoyed that the Soviet Union stayed aloof from the conflict.

Canadian dollar stronger

By Jim Rusk in Toronto

THE CANADIAN dollar stayed above 85 U.S. cents in foreign currency trading last week, the strongest it has been in three months. The high for the week was on Tuesday when it closed at 85.50 U.S. cents. It slipped badly on Wednesday but recovered some lost ground to end the week at 85.21 U.S. cents, a net gain of 0.52 U.S. cents on the week.

The upward pressure early in the week came from strong buying by Swiss and other European sources. It dried up on Wednesday on news that Canada's Swiss bank managers were having trouble distributing a SwFr 300m Government of Canada bond issue in a weakening Swiss market. That did not push the dollar below 85 U.S. cents however. This new found strength is, in part, being attributed to news that seasonally adjusted Canadian unemployment in February was below 8 per cent

Barry Davenport, manager of foreign exchange operations for Wood Gundy, a major Canadian brokerage house, thinks the depreciation over the last two years has gone on too far and "on the basis of economic fundamentals, the currency has recently been undervalued."

He adds that Canada is well on the way to regaining the international cost competitiveness that it lost in 1974 and 1975 and a more placid political environment seems in store. This optimistic view is not universally shared.

Dominion Securities, another major brokerage house, in its latest quarterly letter suggested that the Canadian dollar will trade in a range of 83 to 86 U.S. cents during the year

"Convincing strength in the exchange rate is not likely to develop until late in the year—and even then only if the U.S. economy is showing signs of beginning a new business cycle expansion early in 1980."

S. Africa moves to curb Press

By Quentin Peel in Johannesburg

DRAFT LEGISLATION to place reporting of South African police actions under the same effective censorship as military activity has been introduced in the South African Parliament.

The Bill will make newspapermen liable to up to five years in gaol, or a fine of R.10,000 (£5,900) if they publish allegations against the police which they are unable to prove in court. A police Press liaison unit is expected to be set up to "process" all articles about the police.

The action, by Mr. Jimmy Kruger, the Minister of Police, comes at a time of considerable pressure within the ruling National Party to introduce wider-ranging legislation to curb Press reporting. Opposition newspapers have been instrumental in exposing the misspending of state money by the former Department of Information, which has severely embarrassed the government.

Little optimism at start of UN Namibia talks

BY OUR UN CORRESPONDENT

MINISTERIAL talks open in New York today which could decide whether Namibia obtains independence from South Africa this year on terms acceptable to the UN, or becomes another Rhodesia, unrecognised as a state and the target of an economic boycott.

Mr. Cyrus Vance, the U.S. Secretary of State, Dr. David Owen, the British Foreign Secretary, Mr. Donald Jamieson, the Canadian External Affairs Minister, and the Deputy Foreign Ministers of France and West Germany will confer for two days with a South African delegation led by Mr. Pik Botha, the Foreign Minister.

The Western Ministers will have separate talks with a deputation from the South West Africa People's Organisation (SWAPO) including Mr. Mishake Muyongo, its vice-president. Representatives of the five Southern African front line states and of Nigeria were also invited to join the discussions. All except Angola have accepted.

At the same time the Security Council takes up today a complaint by Angola of repeated acts of aggression by South African forces from bases in Namibia. SWAPO units in Angola have been targets of several military raids.

A spokesman for SWAPO in New York said again yesterday that UN monitoring outside Namibia was not acceptable and was not part of the western plan. The obstacles to a final accord are formidable and none of the participants are optimistic.

Saying that the talks represented probably a last chance for a peaceful transition, Mr. Botha insisted before he left South Africa that he would not shift his stand.

The matter has become more critical than ever now because the Democratic Turnhalle Alliance, which won local elections in Namibia in December, threatens to issue a unilateral declaration of independence if the UN plan is not implemented soon.

Hoveyda trial comes under fire

BY ANTHONY McDERMOTT IN TEHRAN

THE TRIAL of Mr. Amir Abbas Hoveyda, for 13 years the Prime Minister of the deposed Shah, may well be transferred from the Revolutionary Islamic Court in Tehran's Qasr Prison to the Senate or Ministry of Justice, according to Mr. Assadollah Mobashri, Justice Minister. At the same time, the Cabinet has approved Bills for dismantling the existing French-style legal system in favour of one based on Islam.

On Friday, Ayatollah Khomeini issued an order halting all summary trials and executions in Tehran.

The Provisional Government of Dr. Mehdi Bazargan, Khomeini's appointee, is showing increasing signs of responding to mounting international criticism of the way in which Mr. Hoveyda has been tried.

Published transcripts of the hearing indicate a wide gap between Mr. Hoveyda's desire to present a detailed and documented defence, and the prosecution's broad ideological accusations.

Reflecting the confusion of the Government, Mr. Amir Entezam, a Deputy Prime Minister and the Government spokesman, said yesterday at a Press conference that Mr. Hoveyda had not yet been put on trial and that the single session last Thursday before the Revolutionary Tribunal had only been interrogation.

However, at that time Mr. Medhi Hadavi, the Revolutionary Prosecutor-General, called for the death sentence. Mr. Hoveyda was also facing 17 charges, including one of "war against God."

In the present context of progress towards an Islamic Republic, this could almost certainly have led to execution.

Under the moves towards changing the legal system, some 80 judges so far out of a total in Iran of 1,800 have been dismissed. In addition, a board of five judges and two lay members have been given six months to supervise the changeover.

The Supreme Court, the Office of the Public Prosecutor, and the Lower Courts are to be dissolved and replaced by a more traditional Islamic system based mainly on the Koran.

Yesterday Mr. Entezam said regulations had been drafted by the Government for trials. Amongst procedures under consideration were the presence of a jury and defence lawyer, and the right of appeal.

400 'slaughtered' in Chad war

N'DJAMENA—More than 400 people have been killed in renewed clashes between Moslems and Christians in the south of Chad, with witnesses reporting torture and cruelty in the town of Sarh.

In addition to battles with knives between the two communities, Moslems were reported to have been massacred by deserters from President Felix Malloum's regular army.

Two cease-fires have failed to stop the civil war and Nigerian troops are now trying to establish neutral zones after the warring factions signed an agreement to end the fighting.

About 100 French citizens, mostly women and children, of the 450 who live in and around Sarh were evacuated on Friday. The Government has denied that it was responsible for organising the bloody confrontation in the south.

AP

Fresh crisis feared as Portugal debates budget

BY JIMMY BURNS IN LISBON

THE LONG-DELAYED parliamentary debate on the Government's budget and short-term economic plans begins today against a background of mounting political uncertainty which threatens the survival of Portugal's three-month-old administration.

The debate, scheduled to last until next weekend, is expected to resolve confusion resulting from the unexpected resignation of a key junior minister. It might unleash a fresh political crisis.

Sr. Augusto Martins Ferriera do Amaral, the controversial Secretary of State for Agrarian Restructuring, resigned on Friday. But over the weekend the rest of the Government appears to have remained solidly united.

Sr. Carlos Mota Pinto, the Prime Minister, has returned from a visit to Brazil to find his Administration boosted by a surprise nationwide TV address from President Antonio Ramalho Eanes, in which the President reaffirmed his support for the Government and in particular for the Ministry of Agriculture. He praised the Ministry for its "technical and political abilities."

Sr. Ferreira do Amaral resigned after accusing the President of having withdrawn his support from the Government's unpopular agrarian policies. These involve the enforced return of collectivised land to private ownership.

Portugal's powerful Social Democrat Party (PSD) reacted strongly to the junior minister's resignation, and has threatened to withdraw its support for the

Chicago halt on wheat trade

By David Lascelles in New York

TRADING IN March wheat futures on the Chicago Board of Trade, the world's largest wheat market, has been halted altogether on orders of the Commodity Futures Trading Commission, the market's policeman.

The ban follows the CFTC's dissatisfaction with action taken last Friday by the CBOT to deal with what the CFTC claimed was an attempt to manipulate March contract prices. With only four days to go before the contract closed on March 21 the CFTC said a small group of speculators held dominant long open positions which far exceeded the amount of wheat available for delivery.

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Contracts will be honoured Hua assures Japanese

TOKYO—The Chinese Communist Party Chairman, Hua Kuofeng (Hua Kuo-Feng) has given assurances that China will honour $2-$3bn worth of Japanese plant import contracts which were frozen late last month, according to Japan's Kyodo News Service.

Kyodo, in a dispatch from Peking, said Hua told Ryokichi Minobe, the Governor of Tokyo, during an hour-long meeting that "We may postpone the contracts but we will never cancel them." He gave no indication of how long the contracts would remain frozen.

Hua said China did not do enough advance planning on how it would pay for the contracts but it would not make the same mistake in the future. Kyodo quoted him as saying: "We will do what we promised."

The Japanese newspaper Asahi reported from Peking that Hua said the contracts had been held up because the two nations had not reached agreement on whether payment should be made in yen or dollars.

Eight Japanese trading companies were notified on February 28 that all plant import contracts signed since December 23 were "not yet in effect" because of financing problems.

The Asahi report quoted Hua as saying the freeze did not mean China had any intention of modifying its ambitious modernisation programme aimed at making the world's most populous country a major economic power by the year 2000.

Banking and official sources here have said the Chinese found that their buying had outstripped their ability to either pay in cash or obtain loans.

China and Japan signed a trade agreement in February, 1978, calling for $10bn in trade each way over the eight-year duration of the accord.

Japan's exports to China were to be in the first five years and the Chinese had planned on buying about $2bn worth of Japanese goods per year. Japanese banking officials said.

But in the first year China signed $4bn worth of contracts which one official said was "much too fast a pace."

AP

SHIPPING REPORT

Tanker market active

By Lynton McLain

FREIGHT RATES in the crude oil tanker chartering market rose again last week.

Tanker owners were quick to respond to the continued production of oil from Iran, now running at an estimated 1.5m barrels a day, compared with over 5m barrels a day in December.

Oil companies have taken advantage of the resumption in production and last week made the most use of available tanker tonnage to lift cargoes ahead of the next round of price rises.

These factors and the rise in bunker fuel oil prices for ship owners pushed rates for very large crude carriers to Worldscale 50 compared with Worldscale 37.5 in the previous week.

The rise in bunker fuel prices has been passed on to the shippers of general freight as well as crude oil.

A bunker surcharge of 26.5 per cent, with effect from March 26, was announced last week by the conference of freight operators sailing between Indonesia and Europe. Shipments from United Kingdom and Republic of Ireland ports to Brazil will be subject to a bunker surcharge of 20 per cent from March 25.

The Brazil Europe Freight Conference said further rises could expected at short notice.

London shipbrokers said there is a shortage of tonnage for sale on the second-hand tanker market. No new sales were reported last week.

Activity in the second hand bulk carrier market also remained strong

The scrap market, especially in Taiwan, was active, with the Golden Spray, lightweight tanker of 19,700 deadweight tonnes sold for scrap at £80 per tonne.

E. A. Gibson Shipbrokers said the total number of vessels scrapped so far this year doubled over the past month.

AUSTRIAN TRADE

Pessimism over Eastern markets

BY PAUL LENDVAI IN VIENNA

THE AUSTRIAN business community sees serious barriers to an expansion of trade with Eastern Europe, which despite a three-year period of stagnation, remains the second most important geographical area for Austrian exporters. The breakdown and analysis of the 1978 trade figures indicates that hopes of a new push have not been borne out by subsequent developments. While Austrian exports worldwide were up last year by 8.8 per cent on the level for 1977, sales to Eastern Europe rose merely by 3.3 per cent to Sch.24.2bn (£900m).

The point, is however, that the relative significance of trade with the East has continued to decline. Its share in terms of aggregate exports has fallen between 1975 and 1978 from 17.1 per cent to 13.7 per cent. These figures are related only to the Comecon member states.

If one adds independent and non-aligned Yugoslavia, the Eastern market share rises by a further 3.3 per cent. In fact the Austrian surplus in trade with Yugoslavia last year reached Sch.4.5bn, about Sch.900m more than the surplus in exchanges with the Comecon area as a whole. But the "Yugoslav connection" must be also seen against the background of income from Austrian tourists and massive transfers by some 100,000 Yugoslav workers employed in Austria.

Excluding Yugoslavia, the Austrian trade experts list a number of factors which contribute to a growing feeling of gloom regarding short and medium-term sales prospects in the East. The shrinking foreign exchange reserves are accentuated by the difficulties of selling East European products on the Austrian, and of course in Western markets in general. The severe winter also raised doubts about the reliability of the Communist East as a source of energy for Austria.

Intensified Western competition for a stagnating market and growing demand for compensation deals are further adverse factors. Taking the first nine months of last year, Austria's share of the Soviet market rose from 2.1 per cent to 2.4 per cent but fell from 8.1 per cent to 7.7 per cent in the Comecon countries as a whole, excluding the Soviet Union.

The trade balance varies from country to country but it is stressed that the Soviets are apparently making some efforts at last to reduce their surplus vis-a-vis Austria. As Austrian exports last year were up by 16.7 per cent to Sch 5.4bn and imports rose only by 3 per cent to Sch 8.8bn the trade deficit was reduced by 10 per cent to Sch 3.4bn.

In contrast to the Soviet Union, Austrian trade exchanges with Poland once again closed with a surplus of Sch 3.2bn in favour of the Austrian side. Poland is the greatest Eastern debtor with a credit line of Sch 25bn extended by Austria. Austrian bankers emphasise that Poland desperately needs access to the Austrian market in order to earn the foreign exchange needed for debt-servicing.

This is also the background to the current and yet unresolved controversy whether the projected thermal power plant in lower Austria at Zwentendorf (to replace the planned nuclear plant whose commissioning was rejected at a referendum last November) should be based on coal or oil.

The Ministry of Trade is keen on building a coal pipeline from Poland to Austria with an annual capacity of up to 5m tons. The 250 mile long link would involve investment costs to the tune of Sch 2.4bn. But those in charge of the utility companies seek oil or gas as a basis for the new plant because it would be completed two to four years more quickly than a coal-based project. In addition to the uncertainty concerning future oil and natural gas supplies, the Austrian Trade Ministry is evidently thinking of making Austrian-Polish trade more balanced.

Despite the personal efforts by Chancellor Kreisky who last year paid a series of visits to the Soviet Union, East Germany, Hungary and this year to Czechoslovakia in addition to conferring with Bulgarian President Todor Zhivkov and other East European leaders visiting Vienna, political goodwill is just not enough to give a new stimulus to trade. Austrian trade and financial exports point to the steadily rising accumulated debt of the East vis-a-vis Austria which is estimated to have reached Sch47bn by the end of last year.

In view of the general economic situation and of the demands of Comecon integration in Eastern Europe, the best informed Austrian foreign trade experts do not expect a substantial upswing in trade with Eastern Europe. Most observers here think that even the maintainance of previous sales levels would already be a considerable achievement.

Strikes cripple Calcutta

BY P. C. MAHANTI IN CALCUTTA

A SERIOUS crisis has hit Calcutta port with the lock entrance operators continuing to go slow and the crews of Indian ships going on indefinite strike at the same time.

Consequently no ship is able to go in or out of the port and some 67 ships have been stranded at Calcutta and Haldia, according to port authorities.

Congestion at the port is now serious and loading and unloading operations have totally stopped. The indefinite strike started by crews is in protest against the enactment of the Merchant Shipping (Second Amendment) Bill.

A total of 1,800 men are said to be involved in Calcutta and Bombay.

Tea and jute shipments have been affected, latter seriously.

World Economic Indicators

INDUSTRIAL PRODUCTION

					% Change over previous year	Index base year
	Jan. '79	Dec. '78	Nov. '78	Jan. '78		
UK	104.4	111.0	109.4	106.9	−2.3	1975=100
Italy	130.9	118.6	137.0	124.9	+4.8	1970=100
W. Germany	108.0	122.0	130.7	108.7	−0.6	1970=100
U.S.	150.8	150.4	149.5	138.5	+8.9	1967=100
	Dec. '78	Nov. '78	Oct. '78	Dec. '77		
Holland	124.0	121.0	122.0	120.0	+3.3	1970=100
France	132.0	130.0	129.0	123.0	+7.3	1970=100
	Nov. '78	Oct. '78	Sept. '78	Nov. '77		
Belgium	125.5	125.2	124.4	119.6	+4.9	1970=100
Japan	125.3	124.1	124.4	117.3	+6.8	1975=100

Caution on Israeli Egyptian cooperation

By James Buxton

THE PROSPECTS of short term economic cooperation between Egypt and Israel in the wake of a peace treaty should not be overestimated, a senior Israeli banker has indicated in London. However, economic cooperation was essential to the establishment of peace, said Mr. Jacob Levinson, chairman of Bank Hapaolim.

Apart from the supply of oil by Egypt to Israel, the obvious economic possibilities were for Israel to sell manufactured goods to Egypt and for Egypt to supply cheap labour to Israel.

But Mr. Levinson said that the Israeli consumer goods industry was geared to more sophisticated markets than Egypt and that it would be a mistake for Israel to switch to producing lower standard goods, while the Egyptian luxury goods market was very small.

The problem with sales of Israeli capital goods to Egypt was that Egypt would not be able to pay for them, in view of its balance of payments problems. Very long term financing would be risky, but barter deals—possibly involving oil—might be possible, he said.

A further problem for Israeli manufacturers in Egypt was that they would have to deal largely with the state bureaucracy, so that contacts between the entrepreneurs of the two countries would be limited.

As for the supply of Egyptian cheap labour to Israel, Mr. Levinson said he did not think that Egypt would wish to develop such close economic ties immediately. He added that it was not to Israel's advantage to admit free mobility of the workforce, because it would cause social problems with Israelis taking managerial roles and Egyptians filling the lower posts.

"A democratic country cannot live with such a divsion of income and status in one country," he said.

But he did not think a controlled flow of labour would, jeopardise peace.

Mr. Levinson said that there were potential economic advantages in the services sector, especially in the promotion of joint tourism between the two countries, while if Israeli ships were allowed to use the Suez Canal this would naturally be a bonus.

Some of the benefits of a peace treaty might be to strengthen Israel's trade with other countries through the possible decline of other countries' recognition of the Arab boycott of Israel.

Egypt and Israel needed, Mr. Levinson thought, a third party to act as matchmaker to overcome their mutual suspicions and edge them towards co-operation. He thought the process might begin in Sinai which, lying between the heartlands of the two countries, would be a good place for Egyptian manpower and Israeli technology to combine.

Energy was on hand in the form of the oilfields and as the area was lightly populated there was less dislike of the "ugly Israeli" than there would be elsewhere.

The real breakthrough for peace would come with Egypt allowing Israeli "technology and enthusiasm" onto Egyptian soil, Mr. Levinson said.

Aircraft exports rise

By L. Daniel in Tel Aviv

ALTHOUGH the overall rate of growth in Israel's industrial exports has slowed down in recent months, overseas sales of aircraft, as well as of electrical and electronic equipment and of textiles have risen sharply.

Exports of aircraft came to $43m in the first two months of this year, compared with only $13.6m in the same period last year.

Those of electrical and electronic equipment rose by 35 per cent to $15m; and those of chemicals by 24 per cent to $57.5m (mainly due to bigger exports of pharmaceuticals, pesticides and phosphoric fertilisers).

UK NEWS

House prices still rising as demand continues

BY DAVID CHURCHILL

HOUSE PRICES increased markedly in the last quarter according to the latest survey of estate agents by the Royal Institution of Chartered Surveyors.

The survey shows that last month's increase of 2 per cent in prices over the previous quarter increased to 5 per cent in most areas compared with three months ago. The upward trend is expected to continue because of the housing shortage.

Some of the sharpest increases have been for modern detached and semi-detached houses, although most agents report that demand is outstripping supply in all categories.

Mr. Murray King, chairman of the institution's estate agency committee, said that "the increasing delays in obtaining mortgages seem to have no apparent effect on the level of demand, which continues unabated.

"As weather conditions improve, more property will come on to the market, but there is every indication that demand will outstrip supply and that the upward trend will continue."

The survey was based on replies from 117 estate agents throughout the UK. On a national basis a 5 per cent increase was reported in prices for at least four out of every 10 properties of varying ages and types. Just over 46 per cent of new houses, for example, rose by 5 per cent in price, with a quarter rising by 2 per cent and one in five by 8 per cent.

No agents reported any fall in prices for any type of property. According to some agents, the four-bedroomed detached house in a London suburb or commuter area is most in demand at prices ranging from £50,000 to £100,000, with the average between £60,000 and £70,000.

● The institution welcomes the investigation by the Office of Fair Trading into the 10 per cent buyer's premium on furniture and works of art being charged by Christie's and Sotheby's. The institution, whose auctioneer members have to observe a strict code of conduct, said that an auctioneer's obligation was to the seller and his commission should come from the seller and not the buyer.

Fallible forecasts exposed

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THERE WILL be more than a tinge of embarrassment among the legions of economic forecasters this morning. The fallibility of some of their projections has been exposed by their own kind.

The Society of Business Economists—to which many forecasters and planners belong—has published a study showing that the forecasts of several key economic indicators are not substantially better than projections on the basis of naive no-change assumptions.

The study is written by Mr. George Hatjoullis and Mr. Douglas Wood of the Manchester Business School and is published in the Society's journal.

It analyses the relative accuracy of the projections of five leading groups—Phillips and Drew, the London Business School, Henley Centre, Econometric Models, and the National Institute of Economic and Social Research—over the 1974-77 period.

The authors concede that the years reviewed were a particularly turbulent economic period. But, they argue, "that it is precisely in such periods of great uncertainty that econometric (mathematical forecasting) models should outperform the naive statistical models. If one excludes the abnormal periods then we would be surprised if the performance of the econometric models could not be matched by some naive statistical model."

The striking feature of the analysis is the failure of the forecasts, as a whole, to substantially improve on a no-change model, roughly equivalent to what might be achieved from visual extrapolation from a graph, in projecting Gross Domestic Product, consumer spending, investment, and exports.

Both the consumer price index and unemployment are satisfactorily forecast. However, these seem to have been the easier projections to forecast, for the authors point out that a simple trend extrapolation would also have performed quite well for these figures.

The study is careful not to select a "best buy" since while certain forecasters appear to perform better than others for certain indicators, this kind of record may not be reliable over a long period.

The report includes a detailed table which compares with the forecasts of the five groups with the actual outcomes.

The difficulty of discerning the best performers is shown, for example, by the evidence that while Phillips and Drew appreciably out-performed the National Institute in projecting consumer spending and imports, the latter performed better in respect of investment and consumer prices.

The authors regard "the role of outside forecasts not as a device to pinpoint the future but as scenario setters and the context within which the forecasts are presented tends to encourage this view."

There is also an apparently low predictability of forecast performance. It is apparent that backing form has limited merit.

The Business Economist, from the Society of Business Economists, 11 Bay Tree Walk, Watford, Hertfordshire, WD1 3RX, price £4.00.

National Savings increase

By Eamonn Fingleton

FUNDS managed by the National Savings Department increased by £270.4m to £11.404bn last month.

The major elements in the department's total savings receipts of £361.3m were £210.2m brought in by the new 18th issue of National Savings Certificates and an extra £97.1m deposited in the National Savings Bank. Repayments totalled £129.4m, giving net receipts of £231.9m. Interest and other accruals added a further £38.5m.

Demand for Volante

ASTON MARTIN is to sell its V8 Volante in the UK and Europe three months earlier than planned because of "public demand." The UK price will be £33,865.

The car was launched last June and by the end of 1979 some 100 Volantes will have been shipped to the U.S. Production is running at three a week.

Sunday trading fight

THE National Chamber of Trade has called for a renewed campaign against proposed legislation to extend the Sunday trading laws in the UK.

The Chamber's move follows the House of Lords approval last week for a Bill to give retailers greater freedom to open on a Sunday.

Mr. Leslie Seeney, the Chamber's director, claims that the Lords have allowed themselves to be "beguiled into accepting the Bill and thinking all its suggestions can be put into motion without any cost to the customer."

Question of fuel bills

THE National Council for Social Service has again appealed to Mr. Tony Benn, Energy Secretary, to provide detailed information on how many consumers are unable to pay fuel bills and are subsequently disconnected from gas and electricity supplies.

Mr. Nicholas Hinton, the council's director, said yesterday that the questions had been submitted to Mr. Benn exactly a year ago and still remained "substantially unanswered."

Datsun UK enlarges warehouse

By Kenneth Gooding, Motor Industry Correspondent

DATSUN UK, the most successful of the Japanese car importers, is spending £5m on enlarging its parts warehouse at Worthing, Sussex.

The first stage of the development, a new headquarters office block and warehouse, was completed only in 1974 at a cost of £4m. But since then the number of Datsun cars on UK roads has doubled to more than 500,000.

The new project should be completed by October and will add a further 130,000 sq ft to the existing 125,000 sq ft storage space at the 12-acre site.

The value of parts in store will increase from £5m to £7m.

In 1978 some 101,735 Datsun cars were registered in the UK giving the company a 6.39 per cent market share.

This year Datsun UK hopes to get enough cars from the manufacturer, Nissan Motors, to maintain its share.

OECD nations 'need to boost economies'

BY OUR ECONOMICS CORRESPONDENT

GOVERNMENTS IN the major industrialised countries, especially Western Europe and Japan, should give a collective stimulus to their economies to ensure that overall growth does not slacken, according to two leading economists in the latest issue of the Midland Bank Review, published today.

Mr. Peter Oppenheimer from Oxford and Mr. Michael Posner from Cambridge argue that action should be taken to boost growth by an extra 1 per cent a year up to 3½ per cent in 1979 in the 24 countries of the area of the Organisation for Economic Co-operation and Development.

Otherwise, last December's forecast of a 2½ per cent average increase in total output by the second half of this year is the best that can be hoped for.

Without a stimulus—preferably through fiscal means such as tax cuts—the growth of output over the next few years is likely to be half the rate achieved in the decade before 1973, and well below the past rate of growth of productive potential.

The authors argue: "An OECD economy that limps painfully for five years or more through a sort of monetarist purgatory in order to redeem its inflationary sins of the last two decades may soothe a puritan conscience or two, but it also poses a mounting threat to world trade and international investment."

As it is, the article claims, OECD output is between 5 and 15 per cent below full capacity. OECD members are holding back from taking remedial action because of a "prisoner's dilemma" in which countries each hope to benefit from the increase in the demand for their exports which would occur if only their fellow members would take the initiative.

Inquiry may block uranium survey

BY RAY PERMAN, SCOTTISH CORRESPONDENT

BRITAIN'S attempt to fulfil its part of a European Commission survey of uranium deposits could be blocked if a public inquiry to be held this week backs environmental protestors.

The commission is to spend £7m in the next year establishing how much uranium ore there is in the Nine.

In Britain, the search in three areas where traces have been found — the Orkney Islands, Kincardinshire and Caithness — is being undertaken by the South of Scotland Electricity Board.

The board, which has two nuclear power stations and a third under construction, first attempted to drill boreholes in Orkney two years ago, but ran into fierce local opposition and as a result decided not to go any further in any of the areas.

However, it has now been forced to try again or lose the chance to test deposits for the foreseeable future.

The Orkney Islands Council has listed uranium extraction and processing among prohibited activities in its structure plan and has refused to grant planning permission for test boring on the grounds that since it would never allow mining, there is no point in allowing prospecting.

A pubic examination of the plan is to be held by the Scottish Office in Kirkwall this week and the electricity board will contest the uranium decision. Orkney is seen by the board and protestors as a test case for the other areas on the Scottish mainland.

In a written submission, which will be made public on Wednesday, the board argues that it is in the national interest to know if there are any commercial quantities of nuclear fuel in Britain. It claims that mining and refining causes "no significant disturbance" since most of the waste is returned to the workings and that the "environmental impact is low."

It also asserts that radioactivity "can be controled to standards acceptable to the responsible regulating authorities" and adds that "such controls are routine."

£30m gas pipe for North Sea

BY KEVIN DONE, ENERGY CORRESPONDENT

SHELL AND ESSO have started laying a £30m gas-gathering pipeline in the North Sea to link the Cormorant and Brent fields.

Several other fields to the east of the Shetland Islands are expected to be linked later with the gas-gathering system, but operating companies have still to make their final commitment to the scheme.

Shell UK, the operator for Cormorant and Brent, has started work on laying the initial stage of the "western leg" gas-gathering system, which is designed to recover associated gas, which would otherwise be flared into the atmosphere.

The new pipeline will link into the main gas trunk-line leading from the Brent Field to an onshore terminal at St. Fergus, near Peterhead.

The 25-mile, 16-inch diameter pipe, is being laid by the barge Semac 1, and should take about one month to complete, depending on weather conditions.

The pipeline will incorporate two junction manifolds, which will enable other fields, such as Ninian, Hutton, Heather and North Cormorant, to be linked in later.

● The market for inspection, maintenance and repair work on the UK Continental Shelf could be worth about £200m a year by the early 1980s, according to the Offshore Supplies Office.

CONTRACTS AND TENDERS

COMPANY NOTICES

State credit may clinch £20m deal

Y LYNTON McLAIN

GOVERNMENT plan to antee payments for ship ir and conversion work may to save jobs and win a ı order for George Clark NEM, the Tyneside marine ne builder.

ie plan would modify on 10 of the Industry Act, , which guarantees payment ships and mobile offshore llations built in Britain. e are no guarantees for irs or conversions.

e Seatrain Lines of the U.S. s to convert four gas turpowered container ships to omic diesel engines.

orge Clark and NEM, in iership with Hawthorn e (Engineers), also on the , has produced technical osals and a price acceptable Seatrain. British Shipers, the State-owned holdcompany which owns the marine engine companies, however, failed so far to ıce financial arrangements, ding competitive credit , which Seatrain is demand-

e Government plan would ıd the Home Credit antee Scheme to conversion work, but it would need legislation. Mr. Neville Trotter, Conservative MP for Tynemouth said he had written to Mr. Michael Casey, chief executive of British Shipbuilders about the danger of the order being lost.

He said Bremer-Vulcan, a West German shipyard, had produced a financial package under which it would buy the Seatrain ships, the Asialine, Eurofreighter, Euroliner and Asiafreighter, convert them and lease them back to Seatrain.

Workers at George Clark are expected to be told this week that redundancies may be necessary unless British Shipbuilders produces a plan to win the order.

The work on fitting two 15,000 hp diesels worth £5m to each ship would guarantee employment at George Clark's Northumberland Engine Works for over a year.

Hawthorn Leslie has work at its St. Peter's yard on the Tyne up to the third quarter of the year, but 160 employees at the Northumberland yard may be given 90-day redundancy notices at the end of the month unless the order is won.

British Shipbuilders bid to cut time-wasting

Y ALAN PIKE, LABOUR CORRESPONDENT

TISH SHIPBUILDERS is ng up joint management- monitoring committees in ards in a bid to reduce inency and time-wasting.

veral committees are dy in operation and meet ly to examine progress. The ition is that they should ust become another oppory for discussion, but should a speedy and effective for solving problems.

e joint management-union oach to productivity probis part of a drive by sh Shipbuilders to improve rmance in five areas—techy, production engineering, organisation, control and eads—to ensure that the ration is in a competitive ion to face the expected improvement in the shipbuilding market in the early 1980s.

Recently published studies by British Shipbuilders show that an average of 3 hours 5 minutes of the working day is nonproductive.

This ranges from factors directly in the control of the workforce like late starts to waiting time, travelling to work areas and bad weather. The corporation has started a drive to increase productive time by 30 minutes a day which it is estimated would yield a 10 per cent increase in productivity.

Mr. Ken Griffin, deputy chairman of British Shipbuilders, said employees had to understand that time wasted by them was their biggest threat.

NEWS ANALYSIS—PACKAGING

Move from traditional materials predicted

MAX WILKINSON

CONTINUED movement from traditional packaging ials, particularly fibre- l and paper sacks, towards cs and aluminium is pre- d in an Economist Intelli- Unit report on the pack- industry.

t a switch to newer ials will require heavy l investment, which will ın depend upon business lence. The report foresees asing competitiveness in 4bn a year packaging iny which it believes will be d by surplus capacity and ver increase in the rate of nd than has been experi- in the last 20 years.

industry as a whole is ıst to grow at a rate only ly above the growth of the conomy as a whole. Within overall growth, different 's are seen as having edly different growth rates. cs are expected to increase ove average rates, glass, nium, tinplate and aerosol iners should enjoy average h: but paper and board, ose film materials, jute steel drums and wooden iners are all predicted to at below average rates.

report says: "One of the st factors militating against change will be the degree pital investment required, in turn rests upon busiconfidence and a willingo take risks, both of which urrently lacking and are to continue so for several . By the end of the 1980s, ver, a different pattern may ginning to emerge."

price of packaging is ted to stabilise in real s and in most sectors, rises etween 8 per cent and 12 ent, in line with inflation, redicted.

e increase in price for glass iners is expected to be average, because of the vely low raw material cost, glass is expected to meet competition from plastics. paper and board products ikely to increase in price at a faster-than-average rate, as are those made from aluminium and steel.

Although the price of plastics will depend upon the availability and cost of crude oil, the report expects that supplies will be adequate during the early part of the next decade and probably until the end of it.

The report says that in spite of the sharp rise in the price of oil in 1973/74, plastic packaging materials have continued to be used to an increasing extent.

The report, "Packaging in the 1980s" by Rowena Mills (EIU £60), reviews the performance and expected changes in eight separate sectors of the industry. These include:

Paper and Board: Consumption of cartonboard has remained fairly static during the 1970s, increasing only from 557,000 tonnes in 1970 to an estimated 580,000 tonnes in 1978, when manufacturers' sales of folding cartons were £417m. About 56 per cent of these cartons were used in the food trade.

The UK production of fibreboard packing cases has increased slowly from 2.2m square metres in 1970 to 2.7m square metres in 1978 when the value was £460m. Competition from plastics is expected to intensify in this sector also, as also in the market for paperboard boxes which totalled 63m tonnes with a value of £73m in 1978.

The production of paper packaging and wrapping products has generally declined in the 1970s. The 1978 production figures given in the report are: carrier bags, 101,000 tonnes (£71m); food and kraft paper wrapping, 138,000 tonnes (£83m); paper sacks, 235,000 tonnes (£111m).

Plastics: The volume of plastics used in the packaging industry has increased every year during the 1970s from 362,000 tonnes in 1970 to an estimated 684,000 tonnes in 1978, when the value was £445m.

Conservatives would balance bargaining power, says Prior

BY CHRISTIAN TYLER, LABOUR EDITOR

A CONSERVATIVE Government would present a "moderates' charter" in place of Labour militants' charter by restoring the balance of bargaining power, Mr. James Prior, Shadow Employment Secretary, said yesterday.

He argued that there was an imbalance not only between management and unions, but also between "the official union position and unofficial action."

Some changes in industrial relations law had a part to play in the Conservatives' proposals for "getting the balance right."

Mr. Prior was addressing West Midlands Young Conservatives in Malvern, Worcs. His speech was characteristically low-key in contrast with the increasing vehemence with which other Tory leaders have been addressing themselves to "the union problem."

As a direct result of the recent spate of industrial action, his tactics have put him out of favour with many of the Shadow Cabinet.

Some of his supporters fear that an early election would be fought on a union-bashing platform, and that Mr. Prior would stand no chance of being endorsed as Employment Secretary by a victorious Mrs. Thatcher.

The bigger the Conservative majority, they believe, the less chance Mr. Prior has.

The Prior camp believes that Mr. Callaghan will be able to told on until October. It hopes that by this time, Mr. Prior's essentially defensive tactics will be rehabilitated within the Shadow Cabinet.

His allies argue that a frontal assault on union power with the promise of extensive legislative reform would only rebound on the Tories, since opinion polls show that Labour is still reckoned to be able to get on better with the unions in spite of its recent trouble.

Mr. Prior has done much to heal the rift between his party and the trade union inherited from Mr. Heath's administration, when he was a hawk on industrial relations. There can be little doubt that the TUC would rather see him at the Department of Employment than a new hawk from Mrs. Thatcher's immediate entourage.

Civil servants set for all-out strike

BY PAULINE CLARK AND PAUL TAYLOR

A CIVIL SERVANTS' general strike in Scotland and probably in most of England seems unavoidable on Wednesday if the Scottish Office does not lift its threat to suspend 40 of its staff.

The two biggest unions in the nationwide Civil Service pay dispute will today send out instructions for a mass rally of Scottish members on Wednesday, when the suspension notices are due to come into effect.

Civil servants throughout the rest of the country will be told at the same time to hold midday meetings to make their own decisions on what action to take if their Scottish colleagues are sent home.

The 106,000-strong Society of Civil and Public Servants is leading the action with the 230,000-strong Civil and Public Services Association. The Society said yesterday that the Scottish dispute was now a separate issue from the pay row. Action could go ahead even if a new pay offer emerged from tomorrow's resumed pay negotiations.

The 40 accounting staff in the Scottish Office in Edinburgh face suspension for refusing to carry out the work of computer operators who have joined the national campaign for selective action over pay in the past three weeks.

The unions have condemned the Scottish Office for taking action which "would not stand up in the courts" because it constitutes asking union members to strike-break.

Some 40,000 civil servants in the two unions will take part in Wednesday's planned action if the suspension notices are not withdrawn. The unions warned that many may not return to work afterwards.

Last Thursday, the two unions stepped up the selective strike by bringing out a further 150 key members. This raised the total involved directly in the dispute to 1,600.

The main target of the strikes is Government computer installations, and the dispute is causing increasing disruption and delay to many Government functions, including statistics collection and private sector payments.

However, the strike appears to be only inconvenient to the Government since the private sector is bearing the brunt of the strike effects with delays in payment of grants, subsidies, refunds and contracts.

Some Government departments are probably "saving" money because private sector credits are not being paid.

Farmers waiting for capital, subsidy and grant payments from the Ministry of Agriculture Fisheries and Food seem to be hardest hit in the private sector. About 4,000 weekly payments totalling some £6m a week are not being paid because the computer at Guildford has been closed.

Companies waiting for Value Added Tax repayments have been hit by the closure of the Customs and Excise computer at Southend. This normally handles incoming returns totalling about £122m a week, and pays out £41m a week.

No VAT refunds are being made, which has led to an increasing number of complaints. Receipts have also fallen, but the department is understood to be showing a "profit" on the dispute.

Special arrangements have been made to pay some Ministry of Defence contractors after the closure of computers at Liverpool and elsewhere. Contractors are being paid from two specially opened offices in London and Liverpool.

The Department of Industry computer at Cardiff handling payments totalling £50m a week in regional development grants to companies in Wales and civil service expenses for several departments is also closed. However, the Department said the grant payments would be continued.

The closure of the Manchester Export Credits Guarantee Department computer is causing some delay. The position is likely to worsen if the main computer handling export credit guarantees in Cardiff is closed down on Monday as threatened.

The ECGD claimed that the dispute is unlikely to affect the underwriting of credit limits for exporters but it may cause further delays in paperwork.

Elsewhere, payment of pensions, death grants and other benefits to teachers has been hit by the closure of the Department of Education and Science computer at Darlington, but other arrangements are being made to pay student postgraduate grants.

There is still no public access to company registers in London and Cardiff, and the strike has stopped the incorporation of new companies at Cardiff.

North Sea deal rejected

HOPES OF settling the long-running North Sea construction workers' dispute fell yesterday when shop stewards from four unions representing 2,000 workers told local union officials in Aberdeen that a new deal had been rejected by 95 per cent of the men working offshore.

Shop stewards have called for a meeting of national officials, the employers and shop stewards from each trade to reconsider proposed 1979 settlement terms within two weeks.

The main sticking point in the way of a new agreement is the leave cycle.

A new offshore strike cannot be ruled out, but stewards yesterday were reluctant to predict industrial action.

JOINT COMPANY ANNOUNCEMENT

THE AFRIKANDER LEASE LIMITED
VAAL REEFS EXPLORATION AND MINING COMPANY LIMITED

(Both of which are incorporated in the Republic of South Africa)

EXPLOITATION OF AFRIKANDER LEASE MINERAL RIGHTS

The directors of The Afrikander Lease Limited (Afrikander Lease) have, for some years, been considering the most profitable way in which the company can exploit its orebody. The most attractive of the proposals considered is one whereby Vaal Reefs Exploration and Mining Company Limited (Vaal Reefs) acquires the right to exploit the main block over which Afrikander Lease holds mineral rights in return for a royalty based on revenue, providing Vaal Reefs starts mining operations as soon as possible. After examining a number of possibilities, the directors of Afrikander Lease and Vaal Reefs have negotiated the arrangements set out below. The proposed arrangement has been accepted after discussion with the Government departments concerned and will be submitted to the shareholders of both companies for their approval.

Over a wide range of uranium prices, levels of production and other operating parameters, this royalty arrangement should give Afrikander Lease a more attractive financial return than if the company itself were to raise the additional monies necessary to finance an independent mine. The directors of Afrikander Lease therefore recommend that shareholders should accept the proposed arrangement with Vaal Reefs. The arrangement would have the additional advantage of not requiring the Afrikander Lease shareholders to subscribe for further capital and yet should result in an earlier flow of dividends.

On the basis of the same range of parameters as that used for Afrikander Lease, the proposed arrangement is estimated to give Vaal Reefs a favourable return on its investment and is therefore recommended by the Vaal Reefs directors.

The proposed arrangement is that Afrikander Lease should lease its main block of mineral rights to Vaal Reefs. In return for this, Vaal Reefs would finance the entire capital requirements of the proposed mine and would pay Afrikander Lease, during the productive life of the mine, an annual royalty on the following basis:

(a) A basic royalty of five per cent of gross revenue derived from the sale of minerals obtained from mining the area. If the profit, as defined below, were five per cent of revenue or less in any one year, then a royalty equivalent to the entire profit would be paid to Afrikander Lease (but subject to a minimum royalty of R50 000 per annum).

(b) If the profit in any year, as defined below, exceeds 30 per cent of gross revenue, then an additional royalty would be payable, calculated on the basis of the formula

$Y = 50 - \frac{1\,500}{X}$, where 'Y' represents the percentage of revenue payable as additional royalty and 'X' is the ratio of profit to revenue, expressed as a percentage.

(c) For the purposes of (a) and (b) above, "profit" is defined as working profit after deducting capital expenditure other than that required to establish the mine at a production level of 50 000 tons milled a month or to increase the level of production at a later date.

No state's share of profit would be payable by Vaal Reefs in respect of profits from the new mine. Profits would be taxed at the rate applicable to a post-1973 gold mine in Vaal Reefs' hands, after taking the royalty into account. The royalty in the hands of Afrikander Lease would be taxed at the normal company rate.

Mining operations would begin in December 1979 at about 15 000 tons of ore a month, which would be transported to Vaal Reefs for treatment. Providing this occurs, Vaal Reefs would be able to obtain immediate tax relief on capital expenditure incurred by it in respect of the project. This factor would considerably improve the financial return on capital invested over that which could be obtained if Afrikander Lease were to mine the deposit itself.

Meanwhile, a separate treatment plant for the recovery of uranium and gold would be constructed by Vaal Reefs at the site of the new mine for commissioning during the first half of 1981, after which treatment at Vaal Reefs' existing plant would cease. The capacity of the new plant would be 50 000 tons a month milled, this throughput being attained about twelve months after commissioning. Thereafter the average annual production is expected to be about 385 metric tons of uranium oxide and 460 kilograms of gold.

It is proposed that Vaal Reefs secures consumer finance, as part of the arrangements to be made for the sale of uranium to be produced from the new mine, or loans from other sources, in order to minimise the effect on its dividends of the capital expenditure to be incurred on the project. Thereafter, the dividend pattern should be improved as soon as the new mine attains full production.

In the light of the extent of potential ore reserves within the main block to be leased to Vaal Reefs which could support a much larger operation, the directors of Vaal Reefs have accepted a further recommendation by the technical advisers that the design of the new mine should incorporate features which would enable the scale of operations to be easily expanded should circumstances warrant it. These features have been catered for in the siting and the modular design of the treatment plant and in other surface infrastructure.

Further details of the proposed arrangement will be contained in circulars to be sent to the shareholders of both companies on April 4 1979. Additional copies of such circulars may be obtained thereafter from the companies' share transfer offices. The two companies will hold General Meetings on April 26 1979 at which this arrangement will be put to their respective shareholders for approval.

Following the suspension of dealings in the shares of Afrikander Lease and Vaal Reefs on March 14 1979 the Johannesburg Stock Exchange and The Stock Exchange in London have been requested to reinstate dealings in the shares of both companies with effect from Monday March 19 1979.

Copies of this announcement are being posted to members of both companies.

By order of the Boards
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
Per: C. R. Bull
Divisional Secretary

London Office:
40 Holborn Viaduct
EC1P 1AJ.

Johannesburg
March 19 1979

FT SURVEY OF CONSUMER CONFIDENCE

'Budget should not raise tobacco and alcohol duty'

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

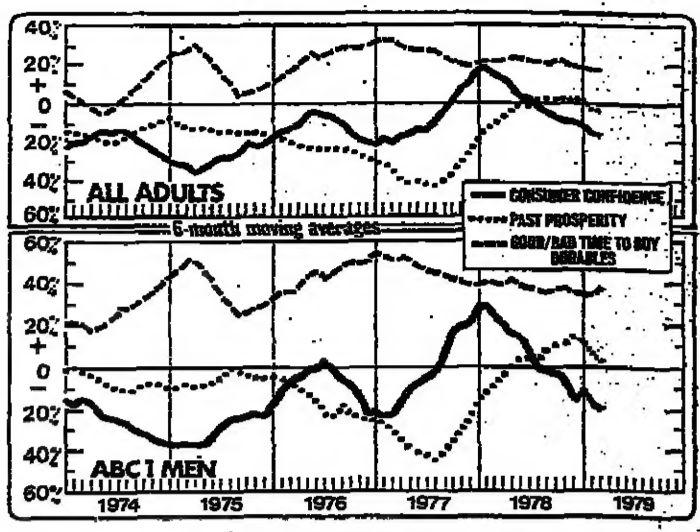
MORE THAN half the consumers surveyed in the Financial Times survey of consumer confidence, published today, believe that the Chancellor should not increase the duty on alcohol or tobacco in next month's Budget.

The survey shows 51 per cent in favour of no tax increase on drink or cigarettes although a significant minority, 28 per cent, felt that the duty should be increased on both items.

Women appeared to favour more strongly a tax increase on alcohol and women from the social grades ABC1 in particular supported increased tax on cigarettes.

Most men, especially those from social grades C2DE were opposed to any increase on either drinks or cigarettes. Young people, however, were shown to favour tax increases on both items more than older age groups.

The main index of consumer confidence for March has risen again this month continuing the recovery from the sharp decline during January. The March index shows 18 per cent of consumers expecting conditions to improve and 31 per cent expecting them to worsen, giving an index of minus 13 per cent, compared with minus 22 per cent last month and minus 27 per cent in January.



Movement

Although the March index is the highest for six months, the actual movement in the index over the six-monthly period has fallen a further 2 percentage points to minus 18 per cent, its lowest for almost two years.

The increase in the March index, however, appears mainly due to a lower proportion of consumers expecting conditions to worsen. The main reason for optimism seems to be the prospect of a change of Government, with one in four consumers giving this as a reason for optimism. The somewhat fatalistic attitude that "things must improve" has declined as a reason for optimism this month, given by 41 per cent of optimists compared with 51 per cent last month.

But there appears to be growing agreement by consumers that the Government is losing control of inflation. Only 1 per cent of optimistic consumers believed that inflation was now under control, compared to a fifth who believed so last November.

Among those expecting conditions to worsen, rising prices have become the main reason for pessimism, replacing strikes and trade unions as the major cause for concern. Almost a third of pessimists gave inflation as their main reason and, although fewer cited industrial unrest this month, the level of concern about strikes was still higher than for most of last year.

Analysis

Further analysis of the future confidence index shows that ABC1 men, from the professional and executive classes, remain the least confident about the future. Although the under 35's remain the most confident age group, the over 55's have shown the largest improvement in confidence

The past prosperity index, which shows whether consumers feel better or worse off than 12 months ago, has risen eight points from last month's unusually low level, but still remains well below its average for the past year.

About 25 per cent of those surveyed felt better off in March than a year ago, while 34 per cent felt worse off. This gives a past prosperity index of minus 9 per cent, compared with minus 17 per cent in February. But four out of every ten of those surveyed felt that they were equally well off compared with a year ago.

Steady

An interesting variation in past prosperity between the various sex and social sub-groups is shown this month. Last month all four of the sub-groups showed similar levels of past prosperity. This month, however, while both professional and manual groups of men show a substantial improvement in prosperity, women from both groups do not.

The 21 per cent rise for C2DE men is particularly sharp and has meant they move from the group feeling least prosperous last month to the one feeling most prosperous in March.

Regionally, only two areas show significant increases in past prosperity — these are London and the South and Wales and the Midlands. In Yorkshire and the North-West, the index is steady, while in Scotland and the North-East it has risen only slightly.

The time to buy "big things for the house" index is also steady this month at plus 17 per cent. The March figures show 43 per cent believing that now is a good time to buy large consumer durables, while 26 per cent think it is a bad time. The only change from the February index is a 1 per cent fall in both the proportion thinking it a good or bad time to buy.

Analysis of the index shows that ABC1 men and C2DE women considered it a slightly better time to buy this month, while ABC1 women thought it a slightly worse time.

Fears

The survey also shows a marked improvement in consumers' fears about unemployment, following a sharp increase in the unemployment index last month. In March, some 33 per cent of consumers surveyed felt that unemployment will increase, while 13 per cent felt that it would decrease. This gave an index of plus 20 per cent, compared with 32 per cent last month.

The drop in the index is reflected in all areas but particularly in Yorkshire and the North-West.

The survey was carried out by the British Market Research Bureau for the Financial Times between March 1 and 7. About 1,000 adults were interviewed.

Letters, Page 37

BOND DRAWINGS

ELECTRICITY SUPPLY BOARD "E.S.B." 8½% 1971/1986 UA 15,000,000

On March 5, 1979 Bonds for the amount of UA 800,000 have been drawn for redemption in the presence of a Notary Public.

These Bonds will be reimbursed coupon no. 9 and following attached on and after May 7, 1979.

The drawn debentures are those, NOT YET PREVIOUSLY REDEEMED, included in the range beginning at: 8801 up to 10225 incl.

Amount purchased on the market: UA 200,000.

Amount unamortized UA 7,000,000.

Outstanding drawn Bonds:
4359 to 4361 incl., 4367 and 4368, 4385 to 4389 incl., 4394 to 4405 incl., 4501, 4507, 4556, 4567, 4565, 4578, 4590 and 4591, 4613 to 4615 incl., 4623 and 4624 4629 and 4630, 4649 to 4652 incl., 4655 and 4656, 4661, 4669 to 4672 incl., 4675 to 4678 incl., 4681 to 4694 incl., 4715 to 4718 incl., 4729 to 4738 incl., 4778, 4783 to 4786 incl., 4795 to 4800 incl., 4809 and 4810, 4814 to 4825 incl., 4828 and 4829, 4834, 4836, 4854, 4856, 4859 and 4860, 4871 to 4876 incl. 4880 to 4884 incl., 4889 and 4890, 4892 and 4893, 4896 and 4897, 4969, 4977, 4992, 5001, 5047 to 5050 incl., 5226 and 5227 incl., 5402 to 5409 incl., 5442 and 5443, 5544, 5556, 5564 and 5565, 5603 to 5605 incl., 5631 to 5634 incl., 5654 and 5655, 5681 to 5684 incl., 9240, 9393 to 9395, 10462, 11093, 11106, 11114 and 11115, 11324 and 11325.

THE FISCAL AGENT
KREDIETBANK
S.A. Luxembourgeoise
Luxembourg, March 19, 1979.

THE COPENHAGEN COUNTY AUTHORITY (C.C.A.) 1969/1984 7% UA15,000,000

On March 5, 1979, Bonds for the amount of UA 709,000 have been drawn for redemption in the presence of a Notary Public.

The Bonds will be reimbursed coupon No. 11 and following attached on and after May 9, 1979.

The drawn debentures are those, NOT YET PREVIOUSLY REDEEMED, included in the range beginning at: 10753 up to 14320 incl.

Amount subject to redemption: UA 1,250,000

Amount bought on the market: UA 541,000

Amount unamortized: UA 7,000,000

Outstanding drawn bonds:
9756 and 9757, 9922, 9937, 10016, 11539, 11543, 11553, 11555 to 11560 incl., 11568 and 11569, 11573, 11580, 11582, 11587 and 11588, 11608 and 11609, 11710 and 11711, 12133, 12241 to 12245 incl., 12284, 12287 to 12289 incl., 12405 to 12408 incl., 12478 and 12479, 12530 and 12531, 12541 and 12542, 12563, 12582 and 12583, 12614 and 12615, 12618 and 12619, 12622 to 12625 incl., 12680, 12679, 12733, 12735, 12754, 12764 to 12766 incl., 12815, 12818 and 12819, 12879, 12893, 12916 and 12917, 12920 to 12923 incl., 12926 and 12927, 13010 to 13014 incl., 13020, 13025 to 13033 incl., 13161, 13189 and 13190, 13199, 13212, 13260, 13292 to 13298 incl., 13308, 13405 to 13408 incl., 13413.

The Trustee
KREDIETBANK S.A.
Luxembourgeoise
Luxembourg,
March 19, 1979.

COMPANY NOTICES

CANON INC.

Advice has been received from Tokyo that the 78th Ordinary General Meeting of shareholders of the Company will be held at its Conference Room at 30-2 Shimomaruko 3-Chome, Ohta-Ku, Tokyo 144 at 9 a.m. on Friday, 30th March 1979.

The Agenda is as follows:—

Report:
Re: Report on alteration of Certified Public Accountants.

Item No. 1
Re: Approval of the business report, balance sheet, income statement and profit appropriation plan for the 78th term (from January 1 to December 31, 1978).

Item No. 2
Re: Election of sixteen directors due to expiration of term of office of all the fourteen directors presently in office.

Item No. 3
Re: Election of two statutory auditors due to expiration of term of office of two statutory auditors presently in office.

Item No. 4
Re: Granting of retirement allowance to two retiring directors.

Item No. 5
Re: Change of the remuneration of directors and statutory auditors

Holders of Depositary Receipts to Bearer (EDR's & BDR's) wishing to exercise their voting rights in respect of the Shares represented by the Receipts held by them are reminded that, in accordance with Clause 3 of the Conditions, they must lodge their receipts with Hill Samuel & Co. Limited by 3 p.m. 23rd March 1979, where lodgement forms are available. (Any Deposit Receipts holder wishing to exercise his voting rights both for and against the Resolutions must deposit his Receipts by 3 p.m. 22nd March 1979). Voting Rights may only be exercised in respect of Depositary Receipts representing Ordinary Shares on the register as at 31st December 1978.

Copies of the full text of the Notice convening the meeting are available if required.

HILL SAMUEL & CO. LIMITED.
45 Beech Street,
London EC2P 2LX.
19th March 1979

PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 138th Annual General Meeting of the Association will be held in the Council Chamber, Institute of Chartered Accountants in England and Wales, Chartered Accountants Hall, Moorgate Place, London EC2P 2BJ on Tuesday, 10 April, 1979, at 12.30 pm to include the following:

1 To adopt the Report and Accounts for 1978.
2 To re-elect Mr. Raymond Percival St. George Cazalet as a Director of the Association.
3 To re-elect The Right Honourable Lord Farnham as a Director of the Association.
4 To re-elect Mr. Valentine Patrick Fleming as a Director of the Association.
5 To re-appoint Pannell Fitzpatrick and Co. as auditors of the Association to hold office until the conclusion of the next Annual General Meeting.
6 To fix the remuneration of the Directors.

G. W. STIRLING, Secretary.
19 March, 1979.

CURACAO DEPOSITARY RECEIPTS of PIONEER ELECTRONIC CORPORATION

The undersigned, being the Agent of Caribbean Depositary Company N.V., announces that Pioneer Electronic Corporation have declared a cash dividend of Yen 24 per share for the financial year covering the period 1st October, 1977-30th September, 1978, which will be payable as from the 19th March 1979 at the office of the undersigned. This distribution, which has been converted into U.S. dollars pursuant to section 4 of the Deposit Agreement, will be available to holders of CDR's against surrender of coupon No. 17 less 20% Japanese withholding tax, to the effect that per CDR evidencing:

5 Depositary Shares $4.94 ($5.24)
10 Depositary Shares $9.88 ($10.48)
100 Depositary Shares $98.80 ($104.80)

The amounts stated between brackets represent the dividend less 15% Japanese tax. These dividends will be paid until 4th May, 1979 but only on condition that the coupons to be surrendered will be accompanied by an "Affidavit" (obtainable with the undersigned), evidencing that the beneficial holders of the CDR's are residents of a country which has concluded a Tax Treaty with Japan.

In the Netherlands dividends will be paid to residents in Netherlands currency at the daily rate of exchange unless otherwise instructed.

PIERSON, HELDRING & PIERSON N.V.
Amsterdam,
8th March, 1979.

LEGAL NOTICES

IN THE MATTER OF THE COMPANIES ACT, 1948 AND IN THE MATTER OF HEREWARD CONSTRUCTION LIMITED
Registered Office: 33 Cliffords Inn, Fetter Lane, London EC4A 1AH

NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948, that a Meeting of the Creditors of the above-named Company will be held at the Great Northern Hotel, Station Road, Peterborough, Cambs., on 11th April 1979 at 2.00 p.m. for the purpose mentioned in Section 294 et seq of the said Act.

Dated this 8th day of March 1979.
By Order of the Board.
R. E. COOKE, Director.

IN THE MATTER OF THE COMPANIES ACT, 1948 AND IN THE MATTER OF HEREWARD PLANT LIMITED
Registered Office: 33 Cliffords Inn, Fetter Lane, London EC4A 1AH

NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948, that a Meeting of the Creditors of the above-named Company will be held at the Great Northern Hotel, Station Road, Peterborough, Cambs., on 11th April 1979 at 2.00 p.m. for the purpose mentioned in Section 294 et seq of the said Act.

Dated this 8th day of March 1979.
By Order of the Board
R. E. COOKE, Director

TRAVEL

MARBELLA, MAJORCA, ALGARVE. Top golf holidays from £89 incl. flights, hotels or apts. Self-drive car. Edwards Topgolf. 01-908 4711 (24 hours). Brochures. ABTA. IATA. ATOL 876B.
SKI EASTER WEEKEND. 12-16 April, from £89. CPT. 01-351 2191.

هكذا من الأصل

No one tries harder than Avis.

You might think 'We try harder' is a slogan we have trouble living up to.

Well, Avis girl Gina Morton doesn't seem to have that problem.

One night, a young couple returned an Avis car to our office at Gatwick.

They were due to catch a flight to the States, but were too late.

They were also too late to get into any of the nearby hotels.

As far as Gina was concerned, there was only one solution. They would have to spend the night in the Avis office.

She provided them with blankets, and the night staff gave them hot drinks.

They caught the first plane out next morning.

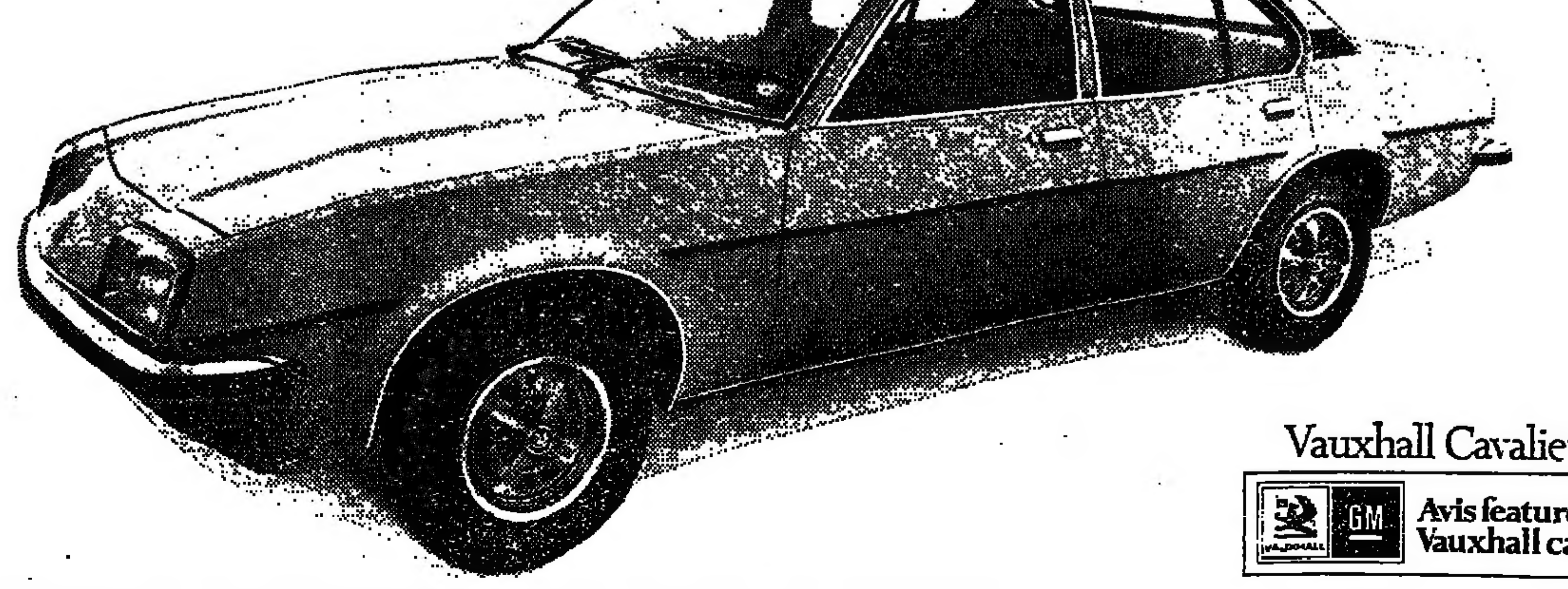
It isn't just for this kind of service that people come to Avis.

There are our cars. Most are brand new, few are more than nine months old.

And with nearly 70 offices dotted about the U.K., we're pretty local, too.

Also, when you rent a car, you'll be given a handy pack containing a cloth, ice-scraper, cologne towelette and a litter bag.

So you see at Avis, we really do try harder.



AVIS

Vauxhall Cavalier.

GM Avis features Vauxhall cars.

TO RESERVE A CAR CALL YOUR TRAVEL AGENT OR YOUR NEAREST AVIS RESERVATION CENTRE: LONDON AND SOUTH EAST (01) 848 8733 MIDLANDS AND SOUTH WEST (021) 622 4262 SCOTLAND (02364) 54525 NORTH OF ENGLAND (0532) 44911 NORTHERN IRELAND (02384) 52333.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● METALWORKING

Easier automation for a lathe

SIEMENS is to introduce at the NC '79 Exhibition (Kenilworth, 23-24 April) a modular computer numerical control for lathes that can be programmed by the machine's operator.

Sinumerik Mate-TG has an interactive display to show both programmed data and the cutting tool's path.

Computer numerical control (c.n.c.) has not generally been applied to simple machine tools used for single and small-lot production because of the high financial outlay for programming the n.c. machines. To overcome the problem of initial outlay, Siemens has developed a number of c.n.c. systems characterised by simple manual-input programming and the use of low-cost microcomputers.

Mate-TG is the first closed-loop computer numerical control for lathes that incorporates automatic self-programming. It has eleven interactive display functions that are shown on a built-in cathode-ray tube display.

A microprocessor facilitates automatic programming. All the operator has to do is enter the basic dimensions of the workpiece, the codes for the tools to be used, the off-sets, feeds, turning speeds and simple instructions, e.g. "inside convex arc," and the computer software performs all the necessary computations, calculates the arc centre and programs itself.

Software for the Mate-TG incorporates multiple repetitive cycles and "program copy"; features that permit the operator to repeat any portion of the cutting cycle at various positions on the workpiece. Decimal-point programming is another standard feature; allowing "leading" and "trailing" zeroes to be ignored, thereby saving programming time, shortening program lengths and making data entry much easier. To further simplify use, actual English words such as "groove", "thread", "chamfer", "arc", "corner", etc. are displayed instead of "G" codes. This eliminates the need for a specialist programmer.

Siemens House, Windmill Road, Sunbury-on-Thames. Tel. 09327 85691.

● INSTRUMENTS

Noise gauge is compact

THE EXTENT of a noise pollution problem can be quickly judged using an indicator from Dohm London (130 Gypsy Hill, London SE19 1PL. 01-670 5383) that is small enough to be carried in a top shirt pocket without too much inconvenience.

Powered by a 2.7 volt battery giving 100 hours of use, the instrument has a sensitive built-in capacitor microphone with a filter that results in frequency weighted readings based on the "A" scale in IEC recommendation 123.

Readings are produced on a meter calibrated from 40 to 120 dBA in one scale; the user merely presses a button to get the reading.

Unit generates or reads

A SMALL equipment aimed at process instrumentation engineers for checking and calibrating devices such as three term controllers, indicators and recorders has been developed by Haven Automation, Cwmdu Industrial Estate, Gendros, Swansea SA5 5LQ (0792 54722).

The instrument will either provide at its terminals, or will measure voltages up to 199.9 millivolts or currents to 199.9 milliamps. Readings of input or output appear on a 3½ digit 0.5 inch dual polarity liquid crystal display with over-range indication and an auto-zero facility.

Power is derived from two PP9 nickel cadmium batteries and the built-in charging circuit is activated simply by connection to a mains supply.

The Minical 200 will operate in the metering mode for 500 hours continuously and for five hours at maximum output.

● COMPONENTS

Slim door for UK

FOR THE first time, a 30-minute fire resistant door which is only 1¾ inches thick has been awarded a British Standard fire certificate, claims Mallinson-Denny who has just signed an exclusive agreement with Jutlandia Dore AS of Denmark to offer the latter company's veneered hollow-core and fire resistant doors in this country.

Until now, fire resistant doors have been 1¾ inches thick, necessitating a different frame size from that used for hollow-core internal doors. The Maldendoors Jutlandia fire door is, however, fully compatible in thickness with standard internal hollowcore doors — also 1⅜ inches thick (standard metric sized hollowcore doors are 40 mm thick as are the metric sized Maldendoors Jutlandia fire resistant doors).

This is said to bring three major advantages: the door is lighter than the average fire door (and, therefore, easier to hang); the material content, and cost, is reduced below current average prices; and only one size of frame is required for internal doors.

Secret, says the company, lies in construction—the volume of combustible timber has been reduced and replaced with an increased volume of less combustible composition core.

To complement the fire door range, a knock-down frame with intumescent strip in head and jambs, oak threshold and all fittings, is available for each size of door stocked.

Further on Leeds (0532) 41616.

Integrated cladding

OFFERED FOR industrial and commercial buildings is a British metal cladding system which incorporates not only metal cladding profiles with flashings, fillers, fixers, etc., but also includes a full range of integrated accessories and components such as doors, ventilators, windows and gutters, designed to fit neatly into the cladding width module.

Two basic cladding profiles form the basis of the system, both of which are made in one metre cover widths making, says the manufacturer, estimating and area calculation very easy. They are available in a wide variety of colours and finishes to suit applications both in the UK and abroad, says Ward Brothers (Sherburn), Widespan Works, Sherburn, Malton, Yorks. (09444-421). Three types of factory bonded insulation are also available on both profiles.

Also offered with the Moduclad system are internal and external gutters, the latter being available in a range of colours. Other components include doors, windows and louvre ventilators. These are virtually self-flashing, thus reducing design, detailing and sitework to an absolute minimum.

Curtain walling system is to be added later this year, says the company, and by ordering all components from one source of supply, problems of site delivery, co-ordination and compatibility of components are automatically eliminated.

Electronic thermostats

STILL relatively rare, particularly in domestic use, electronic thermostatic control now features in a range of devices from Satchwell Sunvic, Whatling Street, Motherwell ML1 3SA (0698 66277).

The range has however, been designed to cover a wide variety of applications, needing different spans and different differentials, and can be used in the control of boilers, processes, pumps, fans, relays, gas and oil burner controls and for air conditioning equipment.

The thermistor-based sensor, about 5 mm in diameter and not more than 40 mm long, can be installed remote from the associated electronics box, the latter having dimensions of 156 x 85 x 58 mm. To cover a total temperature range of −20 to + 300 deg. C there are at the moment nine boxes and four sensors. The differential can be adjusted on site between 0.2 and 5.0 deg. C.

Thus, in a domestic environment the control box could be placed in, say an airing cupboard with other equipment while the sensor could be optimally positioned in the house. In laboratory work, bulky rod thermostatic elements can be dispensed with.

Operation is normally from the mains, but a 24 V ac model is available.

Scheme for electrical accessories

THE INTERNATIONAL Electrotechnical Commission is now working towards a fully international modular installation system for electrical accessories such as socket outlets, switches, push buttons and pilot or signalling lights, used in domestic and similar installations.

The commission has issued a report, Publication 629, as a first step and this recommends a 12.5 mm module. Any products intended for co-ordination in the system would have to fit into a modular grid surface which is formed by regular and orthogonal parallel lines. The maximum outline of a given piece of equipment would have to fit in bordering limits the dimensions of which are full multiples of the standard module distance.

Although in general the number of multiples would be optional, for socket outlets *multiples of two and four have* been chosen.

The IEC is at 1 Rue de Varembe, 1211 Geneva 20, Switzerland.

Walls made to move

IT IS not only easy to partition a ballroom or conference hall with a concertina system of moveable walls, but Variflex operable walls also achieve a sound reduction and an attenuation level of 55 dB, says Unilock Group of Companies, 176-184, Vauxhall Bridge Road, London SW1V 1DX.

Made by Hüppe of Oldenburg, West Germany, four different systems are available for use in a wide range of buildings, including offices, schools, hotels, and conference centres.

Walls can be provided to suit openings up to 8 metres high. Widths of individual elements range from 600 mm to 1,250 mm and 100 mm thickness is standard, with the exception of the 150U system which is 150 mm thick.

Use of ball bearing rollers allows easy movement, any various options are available for suspension and parking. If required, an electric operating mechanism can be supplied.

Single or double-leaf hinged doors and frames can be incorporated within individual elements to allow access through the walls when they are in the fully closed position.

Frames are aluminium and steel and a wide variety of finishes includes vinyl, melamine, hessian or timber veneers.

● HANDLING

Weigh plant for Dubai

WEIGHING equipment made by Solidate, of Sandbach, Cheshire, has been specified by George Wimpey for the £500m aluminium smelter being built in Dubai.

The complex will eventually produce 135,000 tonnes of high grade aluminium a year. It is due to be completed in two years' time.

The equipment to be supplied by Solidate, in a deal worth £30,000, is an 80 tonnes Moduline road weighbridge to weigh coke and alumina arriving by road from the port of Jebel Ali, together with a 14 tonne capacity ladle scale to weigh molten aluminium from the smelter on a mobile transporter.

The smelter is being constructed for the Dubai Aluminium Company (DUBAL) *by British Smelter Construction,* a joint company owned by Wimpey and Selection Trust.

● MATERIALS

Replaces fragile glazing

ANYONE WHO has in his back garden a greenhouse or frame *will undoubtedly have found,* after the heavy snows and howling gales of the past three months, that many panes have cracked, or have even given way.

Plastics materials to replace horticultural glazing have been on offer for some time. One of the latest is Malaray, a semi-rigid polyester resin sheeting reinforced with glass fibre.

Used as a second skin, it will cut heat losses from the greenhouse by at least 60 per cent and reduce ultra-violet irradiation by close on 94 per cent.

Used as primary "glazing," in a formulation which has an extra layer of weather-proofing —ICI Melinax 301, it will withstand particularly hard knocks, including those from the local street footballers.

Natural Energy Jersey, 40 Kensington Place, St. Helier, Jersey. 0534 75221.

● ENERGY

Passive sun heating

MOST BUILDINGS today are heated, or cooled as the case may be, using "active" equipment: furnaces, boilers, electric water heaters and air conditioners. It was natural, when first trying to harness the energy of the sun, to design equipment of the same active kind in order to do this. Into this category fall solar collectors, heat pumps, solar turbines and the like.

But it is being realised increasingly that every building can capture (or exclude) solar energy by suitable design and the incorporation of "passive" hardware: that is features which do not require energy themselves and which are essentially simple and, therefore, low in cost. An ordinary window of the right size, orientation and shading is an example of such a device; the incorporation of the mass of the building itself within the design process is another example.

This approach has been put into practice in various parts of the world and is, of course, a traditional one in any case. What is new is the theoretical basis of calculation, and thus the possibility of extending the principle considerably without necessarily using the massive amounts of material employed *in the past.*

Such work has been going on in France in the United States, Southern Mexico and Britain.

All these topics are to be examined at a one-day conference on April 24, 1979, organised by UK-ISES, to be held at the Royal Institution.

Further from UK-ISES, 19, Albemarle Street, London W1X 3HA (telephone 01-493 6601).

● TEXTILES

Fast repetitive sewing

IN THE clothing, shoe, leather, fancy goods or similar industries, "backtacks" are needed to give added strength or finish to the appearance of the product. This is particularly necessary in such items as comb-cases, or spectacles cases, which have constant handling.

A medium-priced fully automatic profile sewing machine which can backtack in any part of its automatic sewing cycle, is now being produced by Trubenised (Sales), Trubro House, London Road, Woolmer Green, Knebworth, Herts. (0438-812812). Known as the Trumatic 1400S it has a sewing area of 25 x 10 inches, allowing a large number of small items to be loaded at once and accommodated in the sewing cycle.

Continuity of production with minimal training costs is assured, it is claimed, as even unskilled operators require only an hour or two of experience on the machine, while the training of each of the five or ten workers sewing by eye who would produce an equivalent volume through lower quality of output, can take months.

Standard features which contribute to high productivity, says the maker, include fully automatic sewing cycle, left-right-left working, dialled stitch length and sewing speed, and easy to change styling.

Accuracy, reliability and low maintenance all follow from the use of hydraulic movement of the workholder relative to the Pfaff 483-900 sewing head. Movement of the workholder is controlled by an hydraulic servo valve operated by a magnetic joystick which follows a simple sheet metal profile in the same shape as the design to be sewn.

Profiles are said to be easily cut in the workshop and can be changed in under two minutes by the operators of the machine.

Already in batch production, the 1400S machines are promised for delivery early this summer.

● PRINTING

New technology gaining ground

EVIDENCE OF the increasing acceptance that self-contained direct entry photocomposing machines are gaining in the "small" end of the printing industry is afforded by the fact that one company, Itek, has sold well over 500 of its model 1200 Quadritek machines in Europe since introducing it about 18 months ago.

Two principal competing companies, Compugraphic and Linotype Paul are believed to be clocking up similar sales.

Itek's business in Europe in composing machines alone now totals over £5m, and in the UK about 160 machines have been placed, about two-thirds of them in commercial printing and the remainder in in-plant print shops; the latter market is increasing faster than the former.

Latest machine, the 1201, uses the well-established method of printing of the 1200. It consists of a central instruction and text-displaying VDU and keyboard, with fount plug-in and magnetic storage to the right and photo-setter paper output (wet silver technology) to the left.

The machine can call on four 112-character founts on line, held on four segments of a rotating optical disc which also contains bar code data concerning spacing and other typographical "housekeeping."

Each character is exposed via a multi-lens system giving 5½ to 36 point sizes according to key depression on the "qwerty" keyboard. Fount and size changes can be made from the keyboard, even in the middle of a line. Setting rate overall is about 24,000 characters/hour.

Major changes, however, have been in magnetic storage, which is now dual floppy disc with an increase in character storage to 0.5m and random access of stored material in a few milliseconds. Earlier machines used cassette tapes.

A further market being pursued by Itek is connection to word processing units, the output of which may not be in suitable form for printing; a new data communications interface obviates re-keyboarding. Only minimal operator intervention is needed for the word processor to talk directly to the Quadritek over phone lines.

Itek is at Mora Street, London EC1V 8BT (01-253 3080).

● SECURITY

Sensors to meet most needs

SPECIALIST fire and detection alarm company, Tann Synchronome of Station Road, Westbury, Wiltshire BA13 3JT (0373 822491) has developed a complete range of fire detectors known as the 3000 series.

One of the items, the 3100, is *an optical device meeting the* requirements of BS5446 Part 1. It is able to detect the "cold smoke" generated by a low level smouldering fire at an early stage, particularly that emitted by plastic foam materials.

The range includes an ionisation type, the 3200, also meeting the above standard. It employs less than a microcurie of Americium 241 and will quickly react to early emissions, before smoke of any significant density is produced.

Two heat detectors are offered. The 3300 is a rate of rise device conforming to BS3116 Part 1 and having a top temperature range of 58 deg C. For abnormally high temperatures, a fixed temperature detector, the 3400 is available to operate at 88 deg C. with automatic reset, obviating the cost of replacing fusible links.

The detectors have a common base mounting with a pin arrangement that prevents insertion of the wrong type. A light emitting diode shows an alarm state.

Building and Civil Engineering

£8m project for Warrington centre

ANOTHER PHASE of the Golden Square development scheme in Warrington, Cheshire, is to be undertaken by A. Monk and Company. Value of the contract is over £8m.

The work is being carried out for Legal and General Assurance (Pensions Management) and will form the eastern segment of the shops and bus station begun by Monk in 1974.

Bounded by Horsemarket Street, Market Gate and Market Place, the project connects with Phase 2, also built by Monk, which overlooks the Golborne Street ring road and frontage with Sankey Street. A number of Georgian and Victorian style facades to existing shop buildings are being conserved and the existing fish market building refurbished.

An interesting aspect of the whole scheme will be a 9 metre high pedestrian mall serving over 50 of the shopping units and giving access from the bus station.

Beside the fish market structure there is to be a conservation area in which the old town hall, previously demolished will be rebuilt in specially selected brickwork and faced just as it was over 250 years ago. Adjacent to this building will be a number of shop units rebuilt to look as they did in Georgian and Victorian times.

Architects for the complete scheme are Ardin and Brookes and Partners with Ove Arup and Partners as structural engineers, Donald Smith, Seymour and Rooley as services engineers and Gardiner and Theobald as quantity surveyors.

Lovell Housing makes £7.8m

MARLOW BASED construction company, Lovell Housing, has received three contracts totalling about £7.8m and is to carry out projects using its timber frame system of construction for the Property Services Agency and Crawley Borough Council.

Largest scheme is valued at £3.2m and is for the PSA on behalf of the Ministry of Defence at Dale Army Camp, Chester. It involves a design and construct contract for the erection of 155 married servicemen's and officers' quarters in timber frame with high-insulation values, together with the modernisation of 81 traditional homes by rewiring, installation of central heating, cavity fill insulation and redecoration. Additionally, 13 of these houses are to be enlarged.

Feature of the scheme is that all the new houses (two-, three-, and four-bedroom designs) will have fully mechanical ventilation operated automatically by a "dew detector." Air drawn by a fan from the roof space will be ducted throughout the building and exhausted via the kitchen.

The other two contracts, for Crawley Borough Council, include the building of 155 houses and eight flats at a cost of £2.2m at Bewbush North Site 3. This includes external works and ancillary services. Houses are all three-bedroom, being designed either for three or four persons, and the flats are two-person, single bedroom. Altogether, 751 people will be accommodated by the scheme.

At Bewbush 7, contract value of £2.2m covers 188 units comprising 104 houses (all five-person, three bedroom), 80 flats (three-person, two-bedroom), and four bungalows (three-person, two-bedroom) for paraplegics. Altogether, 772 people will be housed by this scheme.

Laing takes seven new jobs

SEVEN CONTRACTS for John Laing worth over £5m cover home improvements works, and an international technical centre for the Goodyear Tyre and Rubber Company.

Six contracts, to improve more than 500 dwellings in Manchester and Salford, are worth about £3m. Five contracts are for the Manchester City Council, and form part of the housing committee's programme of modernisation of pre-war dwellings. Largest job is the Catterick Hall Improvement Scheme phase 1B at Burnage, where the company is carrying out essential repairs, removing fireplaces, refitting kitchens, modifying electrical systems, installing central heating, insulating lofts, and completely redecorating the interiors of 147 dwellings.

The company's Irish region is to build Goodyear's technical centre under a £2m contract at Craigavon, Co. Armagh, Northern Ireland.

This will comprise a 63,000 square foot laboratory, test area and associated offices, plus site roads drainage and other external works, next to an existing plant at Silverwood Road.

Construction of the new building will be steel frame on concrete pad foundations with precast concrete cladding panels to offices and Galbestos insulated cladding to laboratory and test areas.

Completion is due by early 1980, and provision will be made for the possible addition of a further storey to the office block and an extension to the laboratory test area.

Docks work for Mowlem

PORT OF London Authority has awarded a £1.6m contract involving jetty work at Tilbury Docks to John Mowlem and Company.

An existing timber "lead-in" jetty will be partly replaced with new dolphins on the upstream side of the dock entrance. The jetty helps guide ships into the entrance lock. Work has already started on replacing sections badly damaged by impact from shipping with three reinforced concrete dolphins. A fourth, isolated dolphin, will protect the upstream section of the jetty.

Structures, which will be supported by tubular steel piles, will be 29.5 feet wide and vary in length between 55.75 feet and 66.6 feet. Dolphins will be protected by heavy steel fender piles.

Other work includes repairing the jetty where necessary and strengthening the "knuckle" between it and the entrance lock. Completion is due this autumn.

£3.3m awards to McGregor

TWO McGregor companies have been awarded contracts totalling £3,379,000. McGregors joined Norwest Holst group in October, 1978.

Robert McGregor and Sons has obtained a contract worth £3¼m from NCB Opencast Executive. It is for the recovery of 336,000 tonnes of coal by opencast mining near Ilkeston, Derbyshire. This will involve removing and later reinstating part of Nottingham canal. Completion is due in June 1982.

McGregor (Paving) has a £129,000 contract from British Rail (Scottish Region) for the installation of paved track (PACT) in Penmanshiel Tunnel, near Grantshouse, Berwickshire.

McGregors pioneered this patented system of slip form paved, continuously reinforced, profiled concrete track slab in conjunction with the Research and Development Division of British Rail.

PACT is now in use in main line railways in many parts of the world. Its relatively thin section, high stability and virtual freedom from maintenance makes it ideal for use in difficult locations, in overhead electrification schemes, or in parts of the world where the geography often makes track maintenance a problem.

Saudi plan worth £15.8m

A CONTRACT for the complete infrastructure for Camp 10, the first stage of a residential area in Jubail, Saudi Arabia, has been awarded to Mothercat (Saudi Arabia) WLL.

The contract, valued at £15.8m, covers sewage and water networks, roads, fencing, drainage, electrical and telephone systems. It will take two years to complete the task.

Well-earned recognition

THIS YEAR'S Construction News "Man of the Year" award has gone to the project management team which built London's tallest building, the 600 ft high National Westminster Bank tower in Bishopsgate, City of London.

The two men who won the award were project director, Roger Sainsbury and project manager, Alf Ames of John Mowlem and Co., both of whom have worked on the development since 1969, starting on site in 1971.

A silver replica of the tower was presented at a ceremony at the Inn on the Park Hotel, in London last week.

Industrial building project

A START has been made on an industrial building development project at the Fort Industrial Park on 25 acres of land at Fort Dunlop, Birmingham. It is being carried out by Bryant-Samuel Investments, which has taken a 125-year lease from the freeholder Dunlop Holdings. Legal and General Assurance Society is funding the development.

Main contractor is C. Bryant and Son, with C. Bryant Civil Engineering carrying out preparatory work including roads and sewers.

The project calls for 53 factory and warehouse units from 5,000 sq ft upward. The first phase is due for completion in December of this year. Leasing agents are Phoenix Beard and Edwards Bigwood and Bewlay.

£1.5m for Harrison

CONTRACTS totalling £1.5m awarded to M. Harrison and Co. (Leeds) include grouped flatlets for the Bradford Metropolitan Council, at a cost of £550,000; phase 2 of St. Joseph's Residential Home, Ardwick, Manchester, for the Little Sisters of the Poor, costing £420,000; and a £320,000 contract to build a Mothers and Childrens Home at Bramley, Leeds, for the Salvation Army Housing Association.

Four wheels extend performance

FROM FRANCE, where it has been used for cutting moss and peat, is a 4-wheel drive backhoe/loader, new addition to construction equipment sold in the UK by J. I. Case, Smith House, Elmwood Avenue, Feltham, Middx. (01-890 0842).

Apart from its uses in the agricultural industry—particularly *for ditching and draining* in Ireland—the machine is primarily intended for civil engineering work, building sites, small motorway jobs.

Its 4-wheel drive is said to give more tractive effort, extra loading capability, better manoeuvrability in tight situations and increased versatility in all ground conditions. This also enables the loader/backhoe to reach work locations that standard 2-wheel drive machines cannot get to, says the maker.

Machine will also be serviced and sold in this country by Poclain in Yorkshire, Lancashire and West Midlands.

Demarcation made easy

SIMPLE AS using a pair of tailor's scissors to precisely follow a chalked line, is a line marking machine called Lawco Line-It, claims Lawtons of Liverpool, 60, Vauxhall Road, Liverpool L69 3AU (051-227 1212).

Layout of a car park, factory, warehouse, etc., can be initially marked out with chalk, and all that is necessary, says the company, is to place the front wheel of the machine on the line and the device will produce swift and accurate marking.

Design advantages ensure the line is laid without drips or spread and the quick-drying paint promises to be suitable for use on surfaces as varied as tarmac, concrete, asphalt and timber.

Machine can be wheeled and controlled with one hand and is operated by a single, push-button on the handle.

First aid and medical centre

ARCHITECTS Scott Brownrigg and Turner are to produce drawings and specifications for the Property Services Agency for a medical centre for the Ministry of Defence (Navy) at the RNAD Establishment at Gosport, Hampshire.

The building has been designed and will be equipped to carry out routine medical examinations and also to deal with accident cases in the depot.

Accommodation is to be provided for a senior nurse, together with a consulting suite, audiometry room, dispensary, treatment and recovery rooms with a special bath and shower. A small office for records will be sited next to the reception and waiting area.

French Kier job at gas plant

INCLUDED IN four contracts, worth a total of £2m, awarded to French Kier Construction is one for the British Gas Corporation, worth £1.2m, for building works at the Wisbech compressor station. This contract also includes all internal lighting, heating, fittings and finishes and associated cable ducts and drainage.

Work for the Borough of Torbay includes the erection of 34 homes at Hele Estate-Torquay, worth £468,942. This involves demolition of 54 existing houses, erection of the new homes and includes all auxiliary services, drainage, roads and external works.

A job worth £176,344, for Devon County Council is for adaptations to Plymouth Polytechnic, Hoe Centre, Plymouth.

Finally, a contract worth £126,760 for the Property Services Agency is for an extension to a telephone exchange at Bickham Street, St. Budeaux, Plymouth.

University task for Pochin

A STUDENT accommodation block for the University of Manchester is to be provided under a £1.4m contract awarded to Pochin, the Middlewich, Cheshire, based construction group.

Due to be completed next year, *the five storey building* will house 217 students in separate flats which will each accommodate nine people.

On the ground floor will be banks and shopping facilities to serve not *only the students* but also the community, and the project will have open landscaped space around.

Architect for the project is Building Design Partnership of Manchester, who will also be responsible for the civil and structural engineering, services and landscape design.

Concrete is given new properties

PILOT production has started on a newly-developed range of pre-cast polyester resin concrete drains and sewer linings, under a £¾m investment centred at Hartlepool by A. Quiligotti and Co., of Stockport.

Subsidiary company is called Quiligotti Resin Concrete and the Quil-Krete material, based on polyester resin, is said to have much stronger properties than normal concrete, and is also resistant to acid and chemical attack. Strength of *the material also allows* much slimmer section in pre-cast form to be produced.

IN BRIEF

● Arrowcroft Estates in conjunction with London Transport Pension Fund has started an alteration project on the *Charles Rennie Mackintosh* building at 217 Sauchiehall Street, Glasgow. Gilbert Ash Scotland, a Bovis company, has got the job which is worth £850,000. It will be completed early in 1980.

● Production of a new 12½-ton crawler excavator has begun at J. C. Bamford's plant at Rocester, Staffs. It has a six cylinder Perkins engine and a 0.5 cubic metre bucket capacity. *Bamford says it has spent over* £400,000 on development of the excavator.

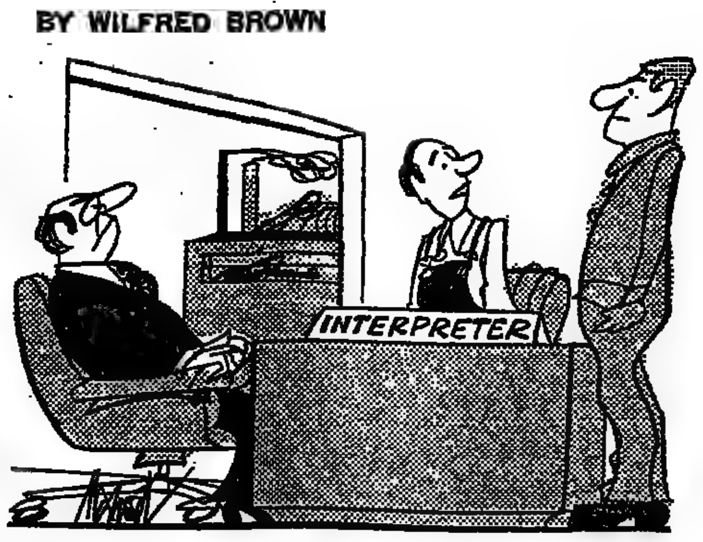
● A £250,000 contract to supply pre-fabricated building materials for the new port complex at Jebel Ali in the Gulf has been won by H. H. Robertson.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

How managers should talk directly to employees

BY WILFRED BROWN



"To cut a long story short, you're fired."

MANY MANAGERS have been indignant about Prince Charles's comments on their inability to communicate with their employees. Yet in many companies the management has given up direct communication with the employees, relying instead on trade union representatives to convey information to the workforce.

Once management has relinquished direct communication it is hard to regain. Given that it is the role of the representative to protect the interests of those who have elected him, he will quite naturally lay emphasis on the shortcomings of management proposals while playing down the benefits.

There are two ways in which a manager can inform his extended command. One is step-by-step; the manager instructs his immediate subordinates to pass on information to their own subordinates and so on until everyone under *his* command has been informed.

The second is by communicating directly either by speaking to them, writing to them or displaying a notice. Direct communication is sometimes known as "contraction," which conveys the sense of the manager shrinking the hierarchy by speaking directly to all those employed in it.

Many managers will say that to introduce "contraction" would arouse the hostility of the shop stewards, who would claim it was their responsibility to communicate with the employees in this way. But in yielding to the notion that it is improper for them to communicate directly, managers have endorsed the illogical idea that representatives are responsible for conveying the facts. Yet managers have no authority to insist that the information is conveyed accurately.

This sad state of affairs is caused by confusion between "the communication of facts" and "negotiation."

The following is a precis of a discussion which took place many years ago between union officials and shop stewards and management in attempting to overcome this confusion:

Shop Stewards—If you talk to our members directly it will be a breach of accepted negotiating practice. We will not allow it.

Manager—I must have some means of ensuring that the facts of the situation reach every employee and also that any questions about my proposals are answered as I would myself. Are you prepared to say to each one of your constituents what I tell you to say?

Shop Stewards—This is a ridiculous suggestion. Shop Stewards will never take instructions of that kind from management.

Manager—Fair enough, I only want to demonstrate the impracticability of managers relying on representatives as a means of making their proposals quite clear to all employees. Do you, however, agree that managers must have some available means of informing each and every employee of the facts as he sees them and of any of his specific proposals?

Shop Stewards—We don't understand what all the fuss is about; it has always been practice for management to present proposals to us and for us to decide how much detail is conveyed to our constituents.

Manager—Now the cards are on the table. I am responsible to the Board for the operation of this plant. If it is not operated efficiently my career is at stake. If facts and plans are not communicated accurately to all employees then efficiency will be affected when speculation and distortion takes the place of fact. Yet you want to deny me the right to contract, deny me the right to control what you communicate and reserve to yourselves the right to decide whether or not to keep all employees informed accurately.

Shop Stewards—You don't understand our point. We don't object to a manager talking to employees; we object to two sorts of negotiations going on at the same time: one with us Shop Stewards and the other between you and our constituents.

Manager—But I have neither the intention, nor would it be possible for me, to negotiate with my extended command. I couldn't negotiate with hundreds of people; I merely want to present facts and answer questions about the facts. If I attempted to bargain with them it would undermine the whole process of negotiation with you.

Shop Stewards—Well we are glad to know that you have some sense of realism; but we are not satisfied. There are always some stupid idiots in a large gathering and if they start discussing the settlement of some problem with you, you can't stop them. Their ideas may be quite out of line with the interests of the majority of our members. We are the accredited representatives, not those who happen to speak out at your meetings.

Manager—You have a point. To meet it I am prepared to sign an agreement with you that if I contract either by meeting employees in person or by writing direct to them, I shall restrict what I say to the facts as I see them; I will refuse to do anything in a meeting except answer questions about facts and I will refuse to discuss solutions to problems which are raised. In short, I shall refuse to negotiate.

Shop Stewards—Ah! but we can never be sure that you will stick to such an agreement.

Manager—I will not hold such a meeting unless I am assured that representatives of those I am addressing are present. Then you can observe whether I stick to the rules or not.

The following rules of procedure arose out of that meeting as follows:

1. Managerial plans and proposals can be elucidated directly by managers by writing or speaking directly to employees in their extended commands.

2. Negotiation shall take place only at meetings between managers and representatives.

3. A manager who communicates directly with his extended command to elucidate his proposals is exceeding his authority if he uses the occasion to negotiate or to solicit views or information.

The logic of those simple rules must be got across in every company and plant in Britain where currently the right to contract is denied by Shop Stewards. Unless all employees are fully informed of the facts then confusion and hostility can dominate any situation. Is it not paradoxical that while the TUC has persuaded a Labour Government to enact legislation which insists that managements provide more information to representatives, that those same representatives deny the right of managers to communicate that information to the rank and file?

I suggest that the management of every plant in Britain which employs more than say 500 people should be sending a letter every month to the home of every employee, providing information about such matters as the order book, new plant, new buildings, new products, labour turnover, management proposals for change, new markets, markets in jeopardy because of delivery problems, output figures etc.

Such letters must completely avoid anything which can be interpreted as persuasion or which puts a bias on the facts. Accredited representatives should be invited to add any appendix they wish, which similarly should be confined to facts which they wish to communicate.

For a company employing 1,000 people, the cost of communicating in this way by post would be less than £5,000 pa. The results in terms of a better informed body of employees and the consequent improved relationships might be astounding.

Lord Brown—formerly head of Glacier Metals company and the Board of Trade—is now a member of the Government's Industrial Development Advisory Board.

In recommending a small firms loan guarantee scheme, last week's Wilson Committee revealed that it had drawn on experience in Holland. **Robert Oakeshott** reports on the Dutch bank where it all started

Dutch lead on loan guarantees

FOR SOME months British bankers and Government officials have been locked in a seemingly never-ending debate about whether Britain ought to have a State-backed guarantee system for the financial loans that clearing banks give to small firms. On Friday the issue was given fresh impetus when the Wilson Committee on financial institutions backed the idea of such a scheme. What will happen now is unclear and may well depend on how long the present Government remains in power.

But throughout the debate there have been recurring questions about whether such a scheme is really needed and about who should bear its costs. As a result both the Wilson Committee, and the National Economic Development Council's Roll Committee which studied the problem last year, have looked abroad for reassurance and experience. One country regularly studied is Holland, where the Roll Committee was told by officials that they believed their scheme did make a significant addition to the amount of funds available to small businesses.

Until March 1977 only one Dutch bank, the Nederlandshe Middlestandbank (NMB), enjoyed the possibility of the Government guaranteeing to cover its lending to the country's small and medium sized companies. Then competitor banks objected to the monopoly which was ended when other major Dutch banks were embraced by the guarantee scheme.

NMB's former monopoly was tied to its history. The bank was founded as a result of government initiative in 1927, when it became the consolidated successor of a number of smaller banks which had catered for the needs of the country's small and medium sized sector. NMB, then owned by the shareholders of its antecedents, agreed to take over outstanding credits advanced by those antecedents amounting to some Fl 2.5m in return for Government guarantees of the credits. From these arrangements evolved during the depression the possibility of Government being prepared to guarantee new NMB loans to small and medium sized business.

Shareholder

The Government changed from being solely a guarantor of certain loans to that of major shareholder as well when in 1942 it converted the loans it was guaranteeing into NMB shares, thus giving it an 80 per cent shareholding. However, this has been diluted over the years to a current 23 per cent as a result of further share issues by NMB and rights issues for which the Government has not subscribed.

The literal translation of NMB's name is the Dutch Bank for the "Middle Classes." But the linguistic point is that certainly between the wars and still to some extent today the term "middle class," as used in Holland and Belgium, refers primarily to small-scale business people and the self-employed. To avoid misunderstanding in the Anglo-Saxon world there is now a strong body of opinion inside the bank which favours a change of name to the Bank for Small and Medium Sized Businesses.

In any event, a bank for small and medium-sized enterprises, is what NMB has been and what it still very much remains. In 1977 more than two-thirds of its lending was to the small and medium-sized sector. Looked at the other way round NMB reckons that it supplies banking services to roughly half of Holland's quarter of a million small and medium-sized businesses.

Its involvement with small businesses has not prevented its own growth, which has been far from sluggish in the post-war period. Its balance sheet total increased from Fl 118m to over Fl 33bn between 1950 and 1978, making NMB the fourth largest of the Dutch banks.

Though the Government's loan guarantee has existed for NMB for around 50 years, it was not until the post-war period, and particularly from 1950 onwards, that this type of lending business became of really considerable importance. In 1957, for example, as much as 41 per cent of its total lending was covered by government guarantees. In more recent years, though, a fairly rapid decline has taken place in this percentage of the bank's total 1977 lending of Fls 15,879m, not more than Fls 747m, or less than 5 per cent, was covered by Government guarantee. One of the chief reasons for this decline, or so the bank argues, is that in many cases of inadequate collateral where it would have previously sought a Government guarantee, it now feels able on the strength of its successful experience, to make a loan on its own account.

Certainly it is hard to dissent from the bank's judgment that the experience of lending under the official credit guarantee arrangements has been a success. Losses have amounted to no more than 0.75 per cent of total guaranteed advances, a figure which is curiously identical with the experience of the rather different credit guarantee companies in West Germany. More important, the loss percentage on NMB's guaranteed loans is well below its current corresponding figure for non-guaranteed loans—which is apparently running at between 1.5 per cent and 2 per cent.

How loan guarantee liabilities arise when a loan goes sour is described by a bank official thus: "If there is a bad debt after money has been lent under the credit guarantee scheme for small- and medium-sized business, then it is decided after the event whether the Government or we ourselves should stand the losses."

The understanding is that the bank will only have to stand the loss if it emerges in the post mortem that the bank's judgment in making the loan in the first place was commercially unsound and unreasonable. There have been occasions when that has happened but they have apparently been very few. The arrangement, in other words, seems to work well. It is clearly advantageous to Government that it is thus able to maintain what is essentially an arms length relationship with the whole scheme. For though formal Government approval is required before guaranteed loans are extended above a certain figure, currently Fl 250,000, it is only after a bad debt that there is any real or direct official involvement.

The importance of the guarantee scheme, however, should not be exaggerated either in relation to NMB's activities or as prt of the general environment which the Dutch have created for small and medium sized businesses. For one thing the net new amount of NMB's credit guarantee lending, as well as its total of guaranteed lending, is really very small. In 1977 the figure was no more than Fl 49m (or, say, £12.5m) of its total guaranteed figure of Fl 747m (and total lending of Fl 15,879m).

Very roughly, its lending to small and medium sized enterprises can be broken down into three main subdivisions. Distribution enterprises—the retail and wholesale trade—account for perhaps 40 per cent of its lending. A similar percentage goes to small manufacturing, and craft enterprises, with the balance divided between transport, hotels, restaurants and farming.

Key point

But the key point is that NMB has built up in its staff a specialised and detailed knowledge of what makes for small and medium sized business success in these various sectors. It knows what manning and what productivity levels in relation to what wage costs will be needed if a profitable restaurant is to be run or if a successful small furniture making business is to be established. That at any rate is what it claims. And it is plausible to suppose that it is this concentration of specialised knowledge, and its availability to branch managers around the country, which has played the biggest part in the success of the bank's lending to small and medium sized enterprises.

LOMBARD

That gold in the peasant's garden

BY SAMUEL BRITTAN

A LITTLE while ago Mr. Callaghan replied to a Parliamentary critic who had taunted him with the way in which the benefits of North Sea oil have been used to finance a consumer boom, which the Prime Minister had been previously determined to avoid. Instead of giving a partisan reply, Mr. Callaghan simply asked for suggestions about what to do: And answer came there none. Perhaps as a patriotic citizen, I should have sent the PM cuttings; but life is short and in-trays are very full.

Meanwhile the well-known Cambridge economist, Mr. Michael Posner, has made this very subject the topic of a Paper to the Manchester Statistical Society on March 13. His starting point in Manchester was that of a peasant who finds gold or some other "gift of nature" in the back garden. The peasant will consume more, work less, purchase more capital equipment for his farm or acquire financial assets in a neighbouring city (ie "invest overseas"). But there is no way of saying what is the best combination of these activities without knowing more about the preferences of this peasant between present and future satisfactions and the investment opportunities open to him.

North Sea

In the case of North Sea oil the British Government tax take will absorb 70 per cent of North Sea revenues—and much of the rest is beneficially owned overseas. Mr. Posner suggests that one way of spending the revenues would be to give all members of the public a security labelled a "share in North Sea oil" which would be "clipped every year," on his calculations to the tune of £250 per taxpayer. This of course is exactly what Barry Riley and myself have proposed in "A People's Stake in North Sea Oil" (Lloyds Bank Review, April 1978).

Mr. Posner acknowledges this and expresses himself "mildly in favour" of our idea. He points out that the attention of the public would then be drawn to the source of the unexpected benefits received, so that they can take account of their transitory nature. Discussion would be stimulated about how to dispose of the resources, not only in Whitehall, but throughout the country. This is over and above the benefits of capitalisation which we have stressed.

Mr. Posner points out that distribution of the revenues to the public would be quite compatible with more overseas investment, either through direct reinvestment of the dividends, or by investing the proceeds of the sales of the title deeds in the market. The difficulties arise from a different direction: the present workings of the exchange market. If the Bank of England is told not to accumulate too much extra foreign exchange, and in addition members of the public are discouraged by exchange control from acquiring overseas assets, then the main effect of North Sea oil is likely to be a higher real exchange rate. Net exports are displaced by North Sea oil and no current surplus is generated. This is what is normally meant by the "Dutch disease."

Mr. Posner states all this with great eloquence but is dubious of the obvious solution, which is to phase out exchange control so that British citizens, like our original peasant can acquire the overseas assets. He prefers another way of skinning the cat: to wit a more expansionary fiscal and monetary domestic policy, which would indeed drive the exchange rate down.

The Posner argument assumes that there is a large usable margin of spare capacity and unemployed labour and that the main effect of such a stimulus would be on output and employment. But supposing that he is wrong and that, as the monetarists argue, the main effect were to be a higher rate of inflation. In that case there would indeed be a pretty hefty depreciation of sterling, but quite likely also a hefty rise in British costs. So paradoxically the real exchange rate, that is the exchange rate relative to our cost levels, might not have fallen at all and we could still have unprofitable exports and the Dutch disease.

On the other hand a phasing out of exchange control would lead to a lower real exchange rate and more profitable exports on almost any assumptions about the workings of the domestic economy, although opinion would still differ on the appropriate accompanying fiscal policy. Indeed, one or two key official financial advisers are beginning to worry that the British peasant, in either his corporate or his personal form, would not take enough advantage of the ending of exchange control. This at least is a refreshing change from the worry that funds would flee from London and is a problem for future discussion.

The problem of Mrs. Tilling's and Miss Dossett's cottage

THE WEEK IN THE COURTS

BY JUSTINIAN

THERE ARE TWO ways of interpreting the provisions of an Act of Parliament. One involves examining the actual words of the statute in splendid isolation. Any gaps revealed in examination must be left alone until rectified by a subsequent amending statute. Lord Denning has called this the "old grammatical" approach, and deprecates it.

The other entails interpreting the provisions of a statute so as to give effect to the general legislative purpose underlying them. Lord Denning calls this the "modern purposive" approach and is its most ardent apostle. It enables the judges on appropriate occasions to fill in all or any gaps in any legislation.

The case of *Tilling v. Whiteman*, recently decided in the House of Lords, illustrates the difficult problems which the courts face and have to solve when considering the provisions of statutes, whichever approach is adopted.

Miss Whiteman

The background of the case was simple. Mrs. Tilling and her friend Miss Dossett owned a cottage in a village near Canterbury. On February 19, 1975, in a written agreement, they let it to Miss Whiteman, for a period of two years from February 21, 1975, at a weekly rent of £12.50. Some time before February 19, 1975, Miss Dossett, who used to live there, left it to live in Oxfordshire. Mrs. Tilling, however, still resided there immediately before February 19, 1975. After the tenancy agreement came into effect, she too left. Below the agreement was a notice. Below the notice was Miss Whiteman's acknowledgment that she had received it. The notice, in language befitting a legal document, stated that "under the Rent Acts of 1968 and 1974 that the *landlord* may recover possession of the premises under the provision of case 10 of Part II of Schedule 3 to the Rent Act 1968." What tenant could fail to understand those words instantly?

Two years passed by, but Miss Whiteman remained in the cottage and refused to leave. Mrs. Tilling and Miss Dossett sued her in the Canterbury County Court for an order for possession of their cottage. The basis of their claim was that they were joint owners of the cottage, they had formerly occupied it as their residence, and they now required it as a residence for Mrs. Tilling.

Miss Whiteman's defence was that this claim must fail, because they required the cottage not as a residence for them both, but only for one of them.

The defence succeeded in the county court, on a preliminary point of law. The Court of Appeal upheld the decision of the county court by a majority of two to one. But a further appeal by Mrs. Tilling to the House of Lords succeeded by a majority of four to one. As a result, the case goes back to the Canterbury County Court for trial on issues of fact.

The preliminary point of law concerned the provisions of case 10 of Part II of Schedule 3 to the Rent Act 1968 now re-enacted and contained in case 11 of Part II of Schedule 15 to the Rent Act 1977.

The relevant provisions read as follows: "Where *a person* who occupied the dwelling-house as *his* residence (in this case referred to as *"the owner-occupier"*) let it on a regulated tenancy and . . . (c) the court is satisfied that the dwelling-house is required as *a residence for the owner-occupier* or any member of his family who resided with the *owner-occupier when he* last occupied the dwelling-house as a residence."

After reading those provisions, who will refuse to sympathise with Lord Wilberforce when he said in his speech that "the legal issue in the present case is not an easy one"? He conceded that case 10 said nothing about joint owners or joint occupiers, but added that "in my opinion our task must be to attribute that reasonably admissive meaning to the language which will best carry out what appears to be the legislative intent."

Through this approach he found it "possible" to say that Mrs. Tilling was an owner-occupier who "let" her cottage on a regulated tenancy within the provisions of case 10, even though Miss Dossett had to join in the agreement for the letting to be effective. He felt justified in avoiding a strict interpretation of the phrase "let it on a regulated tenancy" contained in case 10.

Lord Salmon supported this approach in his speech. He said that at the time when the Rent Act 1968 was passed, there existed, and had for many years existed, a serious shortage of residential accommodation. Case 10 was designed to safeguard persons who occupied their homes against the danger of losing them should they let them during their absence. Case 10 enabled more living accommodation "to become available to the public than would otherwise have been the case."

But, in his speech, Lord Fraser of Tullybelton disagreed. He found no assistance in the policy of the relevant provisions of the Rent Act 1968. The main policy of the Act was to give security of tenure to tenants. The issue to be decided was the scope of the limit to an exception to that general policy. He interpreted case 10 as creating "a composite person consisting of both joint owners." It was neither "right" nor "possible" to read the word "let" in case 10 as if it meant "concurred in letting." Paragraph (c) of case 10 applied only where a house was required by both owner-occupiers or a member of their joint family as a residence.

Whatever approach is adopted to statutory interpretation, is bound on occasion to cause difficulties or to result in controversy. Sometimes it might be better in the long run for the courts to acknowledge gaps as gaps and to leave them to be filled by the legislature. To opt exclusively for any one approach may be as sterile as to vote at every election for Tweedledum rather than Tweedledee.

Was the general legislative purpose underlying the provisions of case 10 to enable a joint owner who was not in occupation of residential accommodation at the relevant time to enjoy the advantages of the legal position of a joint owner who was? Or were those provisions designed for the entire benefit of a single owner-occupier where ownership of the premises he occupied at the relevant time was sole and exclusive? If joint owners or joint occupiers were not mentioned explicitly in the statutory provisions, why interpret them as if they were? May not the gap have been intentional?

Ideally, all statutes should be drafted with sufficient clarity so as to be readily and immediately intelligible to all persons concerned. But this is to adopt the posture of King Canute and to ignore the fact that like the truth a statute is never pure and rarely simple.

Remigio in form for Folkestone

RACING

BY DOMINIC WIGAN

SOME OF the worst post-Cheltenham weather in living memory has again put the brakes on a season which never really spluttered out of first gear and it is amazing to find that Folkestone is still untouched.

While nine-tenths of the country lies either under snow or water the Kent track reports no problems for today's Jackpot supported programme which also features the Gay Record *Challenge Trophy*.

Although weather reports for the South East suggest that racegoers may well be in for the odd snowstorm or blizzard, Folkestone looks likely to attract a fair crowd, for a number of in-form trainers including Fred Winter, Stan Mellor and David Morley, have sent challengers to take on runners from those always to be feared local stables of Josh Gifford, Ryan Price, Auriol Sinclair and Mick Masson.

In the day's most valuable event, the Gay Record Challenge Trophy which commemorates the Queen Mother's win under National Hunt rules, I shall be looking to Beige Prince, who will be trying to record his second course and distance victory over this three miles.

Although left behind in a virtual match with Fettimist at Fontwell last time out Beige Prince should, given normal luck in running, be able to score *off the 10 st 2 lbs mark.*

Fred Winter, who saddles the top weight, Valiant Charger, in the Gay Record Challenge Trophy will, surely, lift the Tenterden Hunters Chase with that experienced 11-year-old, Remigio. Last time out this high class three-miler had matters very much his own way at Leicester in the 2½-mile Melton Hunt Club Hunters Chase in spite of looking on the burly side.

FOLKESTONE
1.45—Toringe*
2.15—Rosie Whisper
2.45—*Beige Prince*
3.45—Remigio***
4.15—Aldo
4.45—Azd**

A slow win for Oxford

BY MICHAEL DONNE

OXFORD WON the boat race on Saturday by 3½ lengths in 20 minutes 33 seconds. *Although* the time was the slowest since 1963, it was their fourth consecutive victory — something they last achieved before World War I.

A few hours before the race Cambridge lost their stroke, John Woodhouse, with gastric trouble, a blow which must have unsettled the crew to some *extent. Nicholas Davies, rowing* at three, moved to stroke and his place at three was taken by Graham Phillips, the stroke of Goldie, Cambridge's second crew. The upset of reshuffling the crew at the last minute cannot have helped Cambridge's morale.

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40-7.55 am Open University (ultra high frequency only). 9.15 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 Barnaby. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 am). 4.20 It's The Wolf. 4.25 Jackanory. 4.40 Baggy Pants and the Nitwits. 5.00 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.50 A Question Of Sport.
7.20 The Rockford Files.
8.10 Panorama reports on Eric Varley's trade mission to China.
9.00 News.
9.25 The Monday Film: "The McKenzie Break," starring Ian Hendry.
11.10 Tonight.
11.50 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Scotland—10.00-10.20 am For Schools (Around Scotland). 5.55-6.20 pm Reporting Scotland. 11.50 In Deepest Britain. 12.20 am News and Weather for Scotland.

Wales—1.45-2.00 pm Pila Pala. 2.18-2.38 For Schools (Let's Look at Wales). 4.40-5.00 Tren Sgrech. 5.55-6.20 Wales Today. 6.50-7.20 Heddiw. 11.50 News and Weather for Wales.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55 Scene Around Six. 6.20-6.50 Hello Sunshine. 11.50 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich): Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
2.15 pm Let's Go.
4.50 Open University.
6.55 The Water Margin.
7.35 Mid-evening News.
7.45 Horseback.
8.10 Lennie and Jerry.
9.00 Fawlty Towers.
9.30 Horizon.
10.25 La Dame Aux Gladiolas: "Arena" presents The Agony and the Ecstasy of Edna Everage.
11.10 The Light of Experience.
11.25 Late News.
11.40 Telé-journal.
12.05 am Closedown—reading.

LONDON

9.30 am School Programmes. 12.00 The Wotsit From Whizz-Bang. 12.10 pm Daisy, Daisy. 12.30 The Cedar Tree. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 After Noon Plus. 3.20 This Year, Next Year. 4.20 Clapperboard. 4.45 Horse In The House. 5.15 Batman.

5.45 News.
6.00 Thames At 6.
6.35 Crossroads.
7.00 The Kenny Everett Video Show.
7.30 Coronation Street.
8.00 A Sharp Intake of Breath.
8.30 World In Action.
9.00 Danger U.X.B.
10.00 News.
10.30 Royal Film Performance 1979.
11.15 The Eamonn Andrews Show.
12.15 am Close: Leo Aylen reads one of his own poems.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 pm Anglia News. 2.00 Houseparty. 2.25 Monday Film Matinee: "Foreign Intrigue." 5.15 University Challenge. 6.00 About Anglia. 11.15 Monday Feature Film: "Dillinger." 12.30 am Reflection.

ATV

1.20 pm ATV Newsdesk. 5.15 Give Us a Clue. 6.00 ATV Today. 11.15 For Better, For Worse. 11.45 Barnaby Jones.

BORDER

†1.20 pm Border News. 2.00 Houseparty. †2.25 Matinee: "The Three Faces of Eve," starring Joanne Woodward. 5.15 University Challenge. 6.00 Lookaround Monday. 6.20 The Sound Of . . . Nicky Martyn. 10.30 Scottish Liberal Party Conference. 11.30 Royal Film Performance 1979. 12.15 am Border Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's On Where. 2.25 Monday Matinee. 5.15 University Challenge. 6.00 Channel News. 6.10 The Amazing Chan and the Chan Clan. 10.28 Channel Late News. 11.15 Fireside Theatre. 12.10 am Channel News.

GRAMPIAN

9.25 am First Thing. 1.20 pm Grampian News Headlines. 5.15 University Challenge. 6.00 Grampian Today. 6.05 The Electric Theatre Show. 10.30 Scottish Liberal Party Conference. 11.30 Reflections. 11.35 Rafferty. 12.30 am Grampian Late Night Headlines.

GRANADA

1.20 pm Dodo. 2.25 Monday Matinee: "Once Before I Die," starring Ursula Andress. 5.10 Max, The 2,000-Year-Old Mouse. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Happy Days. 11.15 Reports Politics. 11.45 Fireside Theatre.

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.22 Report Wales. 11.15 The Monday Film: "The Strange Possession of Mrs. Oliver."

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion Y Dydd. 2.00-2.25 Hamdden. 2.5-3.20 After Noon Plus (As HTV General Service 2.00 pm). 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos.

HTV West—As HTV General Service except: 1.0-1.30 pm Report West Headlines. 6.22-7.00 Report West.

SCOTTISH

1.25 pm News and Road and Weather. 5.15 Felix the Cat. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Crimedesk. 6.30 Wilkie in Winter. 10.30 Scottish Liberal Party Conference. 1.30 Home and School. 12.00 Late Call. 12.05 am Love American Style.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.5 Monday Matinee: "Daring Game," starring Lloyd Bridges. 5.15 Sinbad Junior. 5.20 Crossroads. 6.00 Day by Day. 11.15 Southern News Extra. 11.25 Police Surgeon. 11.55 Farm Progress.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 1.20 pm North East News and Lookaround. 2.25 The Love Boat. 3.20 Generation Scene. 3.35 Cartoon Time. 3.50 Little Vic. 5.15 University Challenge. 6.00 Northern Life. 12.15 am Epilogue.

ULSTER

1.20 pm Lunchtime. 2.25 Keep Up with Yoga. 2.55 The Friends of Man. 4.18 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 11.30 Compass. 12.00 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.25 Monday Matinee: "Lady 'L'," starring Paul Newman and Sophia Loren. 5.15 University Challenge. 6.00 Westward Diary and Sports Desk. 10.28 Westward Late News. 11.15 Fireside Theatre. 12.10 am Faith for Life. 12.15 West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.25 Monday Matinee: "Lady L," starring Sophia Loren, David Niven and Paul Newman. 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). 11.15 The Geeks.

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul *Burnett.* 2.00 *pm Tony Blackburn.* 4.31 Kid Jensen. 7.00 Stayin' Alive. 8.00 Andy Peebles. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am: As Radio 2.

RADIO 2

5.00 am News Summary. 5.02 Tony Brandon (S). 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.03 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.30 David Hamilton (S). 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John *Dunn* (S). 6.45 Sports Desk. 7.02 Music from the Movies (S). 7.30 Alan Dell: 7.30 The Dance Band Days. 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttleton with The Best of Jazz on records (S). 9.55 Sports Desk. 10.02 The Monday Movie Quiz. 10.30 Star Sound. 11.02 Harry Rowell with Round *Midnight* including 12.00 News. 2.02-5.00 am You and the Night and the Music with Len Jackson (S).

RADIO 3

‡6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Vaughan Williams (S). 9.45 Talking About Music (S). 10.15 Two-Piano Music recital, part 1 (S). 11.05 Interval Reading. 11.10 Recital, part 2. 11.50 BBC Scottish Symphony Orchestra (S) 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.10 Music for Organ (S). 3.05 Matinee Musicale (S). 4.05 New Records of music by Vivaldi (S). 4.55 *Bandstand (S). 5.25 Homeward Bound* (S). ‡5.45 News. ‡5.50 Homeward Bound. ‡6.15 At Home: Singular Duos by Mozart, Brahms, Bartok. 7.10 Maggie Teyte song recital. 7.30 Vienna Philharmonic Orchestra (S). 9.30 Mind, Matter and Mechanism. 10.15 Baroque Music for Bass Voice (S). 10.45 Lies and Dreams (reading). 11.10 Haydn's Barryton Trios (S). 11.25 Jazz in Britain: Harry Beckett Quintet (S). 11.55-12.00 News.

VHF Only—6.00-7.00 am and 5.45-7.10 pm Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today—magazine, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines, 7.45 Thought for the Day. 8.35 The Week on 4. *8.45 John Ebdon with the BBC Sound* Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 A Long, Lonely River. 11.45 Listen with Mother. 12.00 News. 12.02 pm You and Yours. 12.27 Brain of Britain 1979 (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Women's Hour. 3.00 News. 3.05 Afternoon Theatre (S). 4.35 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Tell Me Where It Hurts (S). 7.00 News. 7.05 The Archers. 7.20 From Our Own *Correspondent.* 7.45 *The Monday Play* (S). 9.00 Change of Direction. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Perspective: Lord Chalfont talks about Britain's changing role. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Breakthrough. 10.03 Late Night London. 12.00 As Radio 2. 12.05 Question Time from the House of Commons. From 1.05: Join Radio 2.

London Broadcasting

5.00 am Morning Music. 6.00 The AM Show. 10.00 Brian Hayes. 1.00-8.00 pm LBC Reports with George Gale at *3.00* pm. *8.00* After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,925

ACROSS

1 Dirty pass (6)
4 Spirits newsman knocked on the head (8)
10 Actor and first person to appear in Dickens' musical (7)
11 Second summons to work with shell-fish (7)
12 Talent at present (4)
13 Affection never was defeated by antipathy (2, 4, 4)
15 A place for meeting in the street (6)
16 Month to take comfort and depart (7)
20 Publisher's impression of insurrection beheaded (7)
21 Rascal one gives sea-food (6)
24 Autograph textbook needing king's signature (4, 6)
26 Terrible knock down (4)
28 Key to puzzle on which cakes are made (7)
29 Silenced self-starter turned over by plough (7)
30 Notice barometer used by *distant viewers* (8)
31 Man takes aesthetic cordial (6)

DOWN

1 Score at Twickenham and lower ambition (4, 4)
2 Just conditions reasonable pasture (4, 5)
3 Put down pound to help (4)
5 Buyer shows hesitation following habit (8)
6 Performance by high-flyer at the bar (7, 3)
7 In entrance to house, ring for a greeting (5)
8 Extended play in obligation to understudy (6)
9 Horsey type gives small gelding some space (5)
14 Derisive award for efforts on greens? (5, 5)
17 Transatlantic uncle is fitter to become a Dickensian (3, 6)
18 Game for paper boys and milkmen? (8)
19 Highly successful time spent by bowling side at Lords (5, 3)
22 Practices taking sex-appeal off bangers (6)
23 Permit oriental to go over the hill (5)
25 Stern before end of day becomes dirty (5)
27 Message may be long and drawn out (4)

The solution of last Saturday's prize puzzle will be published with names of winners next *Saturday.*

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ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

CINEMAS

ART GALLERIES

CLUBS

هكذا من الأصل

THE ARTS

Johnny Cash

Wembley Centre

Johnny Cash by ANTONY THORNCROFT

Johnny Cash was at the Wembley Conference Centre this weekend and very good he was too. Unfortunately his wife, son, assorted sisters-in-law (both sides) and probably the man who came to fix the boiler were also on stage and that was not nearly so good. It is fine that Cash should have successfully kicked drugs and found love and happiness, but it does seem to have subdued his performance. From being the bitter and effective musical propagandist of the oppressed he is turning into the compère of "For the Carter Cash Family—Opportunity Knocks!"

By marrying June Carter he took on the entire Carter Family, that extraordinary clan who for over 50 years have been first preserving and then popularising country music. Since the death of mother-in-law Maybelle Carter last year Cash has shouldered the burden of leadership. It means an unusual, domestic, relaxed, but hardly rivetting show. Cash has been Osmondised.

The start was encouraging. There can be few singers who look as impressive as Johnny Cash, tall, broad and with a daunting presence; helped by black high-heeled boots, in fact black most things. His voice, melodic rock gravel, makes platitudes sound sincere and converts the most banal song into an important statement. But *Folsom Prison Blues* is not a banal song and with a backing screen, depicting the awfulness of prison, adding eye pictures to his word pictures, things looked set for an impressive concert, musically assured and mentally stimulating.

And so it was when Cash could be bothered. His band, most of them with years of background service, was unobtrusively fine. His material is so vast that it is almost the entire archive of two decades of country music and hearing "I walk the line" and "Orange Blossom Special" in the raw improves them no end. And then his velvet-suited son is brought on, which is bad, and encouraged to sing, which is worse. The rest of the family soon emerges and although June Carter offers an attractive contrast, singing country music with an English-Appalachian feel, they quickly become intrusive. It might be in the Grand Ole Opry tradition but it is not in the Johnny Cash tradition.

For Cash is the great machismo hero, the poor white who made it and did not forget the poor whites who did not. And not only whites—Indians, hobos, and especially prisoners have all had his powerful support. He identified and could not patronise and leant them his voice. Perhaps it created too romantic an image of the man, especially when he went through his own crisis in the 1960s, but that image is stronger than the current reality. It was diluted Cash at Wembley, diluted in time, diluted in impact, and also sadly diluted in energy. The talent has turned inwards which may be better for Johnny Cash but not for his fans.

University Theatre, Manchester

Schweyk in the Second World War

The Contact Theatre Company, resident at this lovely little venue, is now under the direction of Richard Williams, an associate of Richard Eyre during the recent, now vanished golden days at the Nottingham Playhouse. This play always works, although I have yet to see it in English performed with Hanns Eisler's marvellous music. That of Steve McNeff is a poor substitute, with flatulently strident thrumming for the Hitler/Göring/Goebels interludes and Eurovision Song Contest tonalities for the songs in the bar, here known by the unlikely name of "The Chalice" ("The Flagon" of the standard translation is surely better).

The attempt on Hitler's life has failed, and Schweyk, the accidental hero on account of his fast wits and ready turn of phrase, puts that down to a faulty bomb. Mass-production is to blame; Schweyk the dog merchant, although a classic incarnation of the human spirit in adversity, is as unsparing of his fellow workers as he is of the puppet politicians. He is a survivor, drifting into trouble while attempting to placate an SS platoon leader by stealing a dog for his wife. Schweyk's friend in the bar, Baloun, is likely to sign up for the Nazis because they feed the soldiers, and Baloun's stomach is bigger than his idealism.

Although Mr. Williams's production has an adept Schweyk in the plump and inventive shape of John Branwell, the bar does not dominate the stage as it should, nor does very much energy rise from the inmates. You would never know, for instance, as Schweyk trudges in search of his lost platoon 100 kilometres from Stalingrad on the Russian steppes, that the bar, with its roseate conclusions, is perhaps a figment of his imagination. The staging is a little cumbersome throughout, with furniture humped on and off, fluency sacrificed for the odd effective moment such as the billowing forth of a white sheet in Russia, or the silhouetted company rendition of the "Miserere" (less important than establishing — as Mr. Williams does not—that the drunken chaplain is the platoon leader's brother, or that Schweyk commits an act of positive courage by saving the two old ladies he meets).

Schweyk on the witty offensive is always a cheerful sight, and Mr. Branwell has great fun in the goods yard with his lesson in mnemonic technique for the confused soldier. The subversive version of the "Horst Wessel" has a good production touch, the crippled soldiers wheeling round on a pair of radial crutches. But surely the widow landlady's admirer would not return to the bar to play for the dance as soon as he has been banished for failing to bring Baloun's meat?

*

Earlier in the day last Thursday, I caught the company's "working guide" to *King Lear*, intended for parties of schoolchildren with the mighty play on their syllabuses. Apart from the considerable irritation of the actors thanking each other all the time for playing a scene or, in some cases, even less, and the somewhat strained attempt of the linking narrative to state the obvious—that you can play complex scenes in different ways—the show was not without its value. Beckett's *Endgame* and Bond's *Lear* were invoked not very convincingly as evidence of Shakespeare's influence on modern drama (in the case of the first, as if to prove there is often more vice than *versa* in these matters, it was Beckett's nihilism that influenced an academic, Jan Kott, and subsequently a director, Peter Brook, in their interpretations).

There were nice snippets, splendidly played, from Shakespeare's source play, *King Leir*, and from Nahum Tate's 1681 version, with a periwigged Edgar rescuing his virgin beloved, Cordelia. Director Bob Tomson would do well to cut the frills of gratitude and help out one or two of the actors with the verse. Solid rhythms go hopping all over the shop. Thank you, Bob.

MICHAEL COVENEY

CAMDEN FESTIVAL

Mitridate by MAX LOPPERT

The first of this year's Camden operas was Mozart's *Mitridate rè di Ponto*, in Saturday's concert performance sponsored jointly by the Festival and the BBC and also broadcast on Radio 3. For a change it was not an absolute novelty for Camden—in modern times the work has been staged in Germany and Austria, and a DG recording is currently available. But the performance was a rarity all the same, and on the whole it was so well done that the standards and requirements of festival fare were truly met.

Mitridate, Mozart's first *opera seria*, was written for Milan, and first given there, with great success, in 1770. Mozart was then 14. According to Dent, he "was not yet temperamentally equal to the treatment of such a subject" as the amorous and political intrigues at the court of the Macedonian king Mithridates, as laid out in Cigna-Santi's libretto (modelled on the Racine tragedy). The appearance of the recording last year helped to cast doubt on Dent's judgment; this concert performance will have helped to further that process. Undeniably, many of the arias can be admired only relatively—more for their prodigal fluency and technical assurance than for their appropriateness to or furtherance of the drama.

But the quantity of music in which the voice of the "real" Mozart is heard seems to grow larger. It includes not only the immediately remarkable arias and accompanied recitatives in Acts 2 and 3 for the lovers Xiphares (Mithridates' loyal son) and Aspasia (the king's betrothed)—music of poignant, limpid, and passionate emotional expression, made substantial in the blend of voice and instruments, in the movement of harmonies, and in vocal shapes that contradict both formula and expectation. But also it includes numbers superficially less adventurous, such as the king's entrance aria in a gentle, triplet-jogging G major spiced by the fantastic leaps from very low to very high that characterise the king's vocal line—an early example of Mozart's gift of transforming constraint (wide leaps were the speciality of the tenor Guglielmo d'Ettore, first occupant of the title role) into dramatic virtue.

I must not press the claims of the opera too hard; but in this BBC Concert Orchestra account, buoyantly conducted by György Fischer, with an expert sense of classical proportion and an ear unfailingly alert to the individuality of the scoring, it seemed a rich score. And would have seemed all the richer for being less damagingly cut: not only the expected removal of three arias *in toto* and much *recitativo secco* (a bearable loss, this), but amputations of middle sections and da capos, snicks in florid writing, and, least forgivably, truncations of the accompanied recitative which is so notable a feature of the second and third acts. (It would have been wiser to cut down on the contributions of the subordinate characters, particularly Martius' dull aria, dully sung by Anthony Roden.) The cuts in the florid sections and in accompanied recitative were all the more unwelcome for the presence of a young cast uncommonly able for the most part to handle such things proficiently and meaningfully.

Xiphares was written for the male soprano Sartorino; the only conceivable criticism to be made of Felicity Lott in the part, exquisite in phrase, manner, and tone alike, is that she lacked the requisite touch of metal. (There was much more of that, at times to the point of discomfort, in Felicity Palmer's stylish singing of Ismene, the *seconda donna*). Marie Slorach, a soprano crisp in projection and keen in attack, made much of Aspasia' "Pallid 'ombre," a grave cavatina emerging from, then sinking back into, recitative.

As Pharnaces, Xiphares' scheming brother, Susan Kessler was sympathetic, perhaps a little too much so—it is a second part for a castrato calling for tone of a more steely cut. Strongest impression of all was left by Philip Langridge, who threw himself into the fiendishly difficult music of the title role with heroic fearlessness—if the sound of the top notes was not exactly pleasant, the notes themselves had real, not speculative, definition. Logan Hall, which accommodates several festival events this year, is pleasant to be in, but awkward of access and egress, and the air conditioning possesses a voice of its own.

*

The first of the two Sunday morning string quartet recitals at the Everyman Cinema was given by the Medici Quartet. Centrepiece of a programme of Haydn and Dvorak was the first performance of Elisabeth Lutyens' *Doubles*, a ten-minute span into which, Webern-like, several years of music seem to have been concentrated. The title is pronounced *à la française*, the composer tells us, and the form is related to the Bach partita. So much, on a first hearing, was still unclear. What was immediately evident was the composer's mastery of musical gesture, always stripped down to bare essentials in the medium of the string quartet, never more acute. The materials are sparse, and sparingly used—a handful of tremolos defining significant intervals, a flourish of *col legno* expostulations, pizzicatos, and knuckle-raps on wood; an alternation of chord and silence. The result wins hungrily compulsive attention.

Covent Garden

La Fin du Jour by CLEMENT CRISP

It was Kenneth MacMillan week at the Opera House, with the entire repertory made up of his ballets. It was more especially a MacMillan celebration on Thursday, with the first performance of his new *La Fin du Jour* in a triple bill, and the presentation by Princess Margaret of the Evening Standard Ballet Award to the choreographer at the end of the evening. A happy occasion: showers of daffodils to thank MacMillan for *Mayerling* and his other ballets last year, and the hero of the evening, characteristically modest, deflecting our gratitude to the dancers who make his ballets possible.

La Fin du Jour is set to the Ravel G minor piano concerto, a work made in 1931, which the composer at first considered calling *Divertissement*. This alternative title, and the date of the score, are keys to what MacMillan has brought magnificently off in a poetic, allusive choreography. He offers us a series of photographs of the 1930s that might have come from the pages of *The Sketch* or *The Illustrated London News*—figures caught in the amber of time, sportsmen and women, cinema idols, matinée stars, intrepid aviatrixes, seen in that innocent, bright light before the night of the Second World War fell.

It is not a literal portrait. The work's poetry comes from the skilled juxtaposition of elements of play that we, from the other side of the abyss of the war, know was doomed, as was the society that nurtured it. Ian Spurling, the designer, has provided yet another extraordinary series of costumes that refine, exaggerate and somehow pinpoint all the social attitudes of the decade; light, clear colours; extreme silhouettes, a mad-cap elegance that is somehow pathetic in retrospect.

In the first movement of the concerto we see a *corps de ballet* of marionette figures, who frame a double pas de deux for Merle Park and Julian Hosking, Jennifer Penney and Wayne Eagling. The two women are at first bathers; the men golfers, and Macmillan has created for them choreography of the greatest ingenuity, with a frozen chic as they suddenly pause in almost hieratic poses.

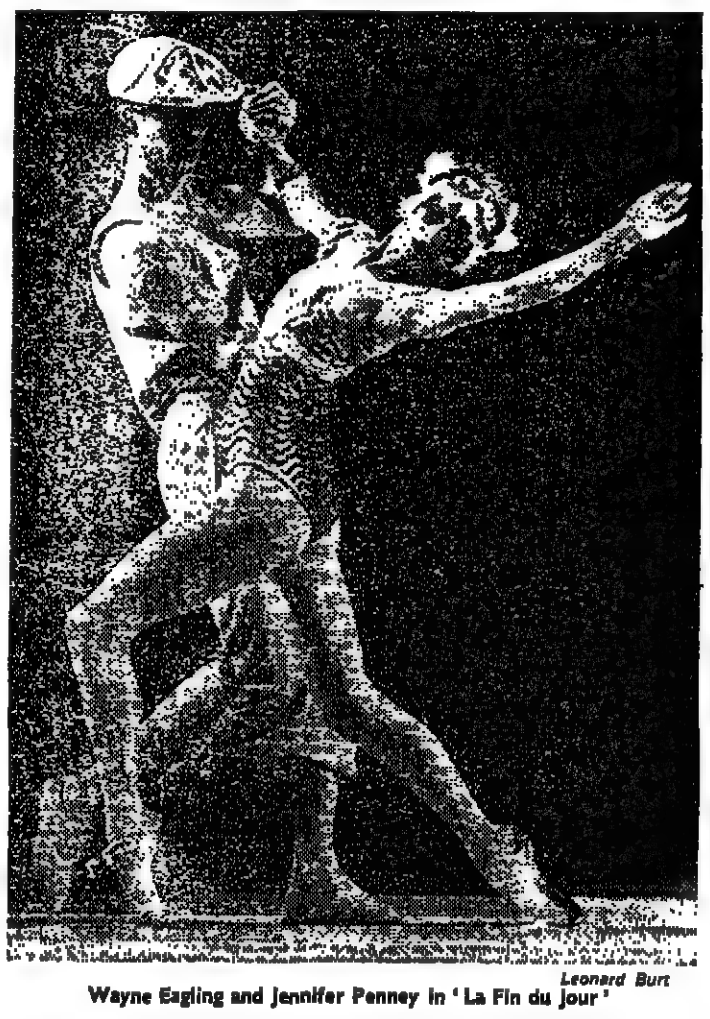
Here, as throughout the work, Macmillan's invention is prodigal: from the demotic of games, from the photographic images of periodicals of the time, he has wrought a language of remarkable beauty. Merle Park swings lower and lower in an arc from Hosking's arms; Eagling, in a stunning solo, leaps and falls; everywhere, there is a response to Ravel's orchestral textures, so that Park and Penney seem to be bathing in the shimmering sonorities of the music.

The slow movement with its serene cantilena (that Constant Lambert called "a synthetic melody") becomes a long-breathed adagio for Park and Penney each attended by five men. MacMillan's choreographic device here is a ravishing canon in which the two voices slowly catch up with each other, then separate again, while the women are lifted and at one moment seem carried over the stage in chairs made from their cavaliers. But the continuity suddenly breaks as the women again freeze in poses, and the final section finds them alone, eddying over the stage, linked in a *pas de bourrée* which has as emotive an effect as the great stream of *bourrées* for the Woman that comes near the end of the last song in *Lied von der Erde*.

For the last movement, the cast are in evening dress. Park and Penney are now Jean Harlow and Jessie Matthews and Ginger Rogers and those other darlings of the time; the men, in pastel tail suits, soar and roar across the stage, the choreography impelling them in grand spans of movement. And at the last, dusk falls on the garden which we see through an opening in Ian Spurling's creamy setting (which is in fact a series of watchful profiles), and Merle Park pulls a door shut to close out the night. The party is over.

I think *La Fin du Jour* a ballet far richer than it first seems, richer even than the prodigious outpouring of choreography which so stimulates the eye, and so stimulates the dancers. The piece is magnificently performed by Merle Park and Jennifer Penney, Julian Hosking and Wayne Eagling (whose thrilling physical abilities and "cool" temperament are superbly displayed). It may seem frivolous, quirky at moments. It certainly does not presume to impose any political attitudinising upon the refinement of the Ravel score. It makes its points by hints, quick suggestions, but it does so with consummate sensitivity. It is a requiem for the *douceur de vivre* of an era, and it is nostalgically grateful for the '30s wayward charm.

The rest of the programme—*Diversions* and *Elite Syncopations*—fell victim to industrial troubles at Covent Garden: no set changes; minimal lighting. *Diversions* suffered, and I will report on it when it can be seen properly. *Elite* was given insouciant gaiety by a wonderful cast, who took the opportunity for some splendid improvisation.



Leonard Burt

Wayne Eagling and Jennifer Penney in 'La Fin du Jour'

Arts Council shop moves to Long Acre

When the Arts Council Shop opens at 8 Long Acre, WC2 on Monday, April 9 it will offer two and a half times as much space and considerably improved facilities for customers. It will be open six days a week from 10 a.m. to 7.45 p.m.

The shop will have the most comprehensive range of art exhibition catalogues in the country, including the Arts Council's own exhibitions past and present, and those from London and regional museums and galleries. In addition, catalogue exchange arrangements have been established with the Georges Pompidou Centre in Paris, and through the shop's mail order system catalogues can be obtained from all over the world.

There will also be an extensive range of posters, prints and postcards, slides and museum replicas, as well as some framed prints of works by British artists, a considerable range of art books, and artists book-works.

'Bodies' at the Ambassadors

BODIES, by James Saunders, opens at the Ambassadors Theatre on April 23 with previews from April 11.

The cast is Dinsdale Landen, Gwen Watford, David Burke and Angela Down. The director is Robin Lefevre.

Last year the play played to capacity audiences during its two-month run at Hampstead Theatre.

Orange Tree, Richmond

Doctor Knock by B. A. YOUNG

"Do you tell me you feel well, Sir? It's only because you don't know you're ill." This exchange, reported by Dr. Knock's rich patient Madame Pons, sums up the doctor's approach to his patients. Dr. Parpalaid, whose practice he has bought, never treated anyone and expected his patients to pay him only once a year. Knock, learning all this as he sits by Parpalaid's broken-down car, decides to change things. "The medical age can now begin," he says.

He begins by hiring the town crier to announce that there will be free consultations for two hours every Monday morning. *Before he has even left* the consulting room, the town crier realises how ill he is. Indeed, *no one who crosses the* threshold leaves without a *serious* deterioration in his health—and *everyone will come* back later, when the consultations must be paid for, or even require visits at home. Within three months the local hotel has become a flourishing clinic and there is hardly a soul in the community not undergoing treatment. "At 10 o'clock," Knock proudly tells Parpalaid when they meet again, "250 *clinical thermometers* will be lifted in unison and gently placed under 250 silent tongues."

I don't *know why Doctor Knock* isn't as steady an item in the repertory theatres as *Equus* or *The Norman Conquests*. It is *funny*, it is wise, it is short, it needs no ambitious scenery (though it calls for three sets one of which contains a veteran car), its cast of 15 can be easily, as effectively, taken by eight or nine players.

The Orange Tree company under Sam Walters do the play delightfully on their pocket stage. The car is dismantled at the end of Act 1 to reveal the consulting-room furniture inside. Knock's dupes and his allies the chemist and the schoolmaster are different incarnations of half a dozen players. At the centre of things, Geoffrey Beevers as Dr. Knock, peering sternly over his half-moon spectacles as he condemns the whole district to a lifetime of hypochondria, placidly displaces Peter Holmes' rural Parpalaid with his "25 years of self-effacement in the service of his patients."

RUGBY BY PETER ROBBINS

Crowning tribute to J. P. R. Williams

THE PESSIMISM that seeped out of Wales on the news of the retirement of that great triumvirate, Bennett, Edwards and Gerald Davies, was, after all, yet another piece of Welsh cunning. It was pure fancy, but provided the necessary and convenient escape route which, as events turned out, was never needed.

Those who forecast the demise of the Welsh team—myself included—were proved totally wrong by Wales' devastating 27-3 victory over England at Cardiff.

Yet again England were humiliated because even with the four-point try, 27 points is a big score, and it could have been worse.

Fenwick, needing three points to break the individual record number of points in a season, could only manage the final conversion.

So for a fourth consecutive year Wales win the Triple Crown, and that in itself is a remarkable feat. This fourth triumph was perhaps the easiest and it gave J. P. R. Williams' last game for Wales a certain poignancy.

His contribution to Welsh rugby was of a special kind, epitomising physical courage, skill in all the arts of full-back play, and the ability to inspire those around him. It is almost unfair that one man should possess such huge talents, but they have always been used to the full for Wales and the Lions. How reassuring it must be to play in front of him and know that he is there to deal with any crisis.

That sort of man gives the whole team confidence. He left the field in the second half, but Griffiths came on and fitted easily into the team.

He created the final try for Rees. There was proof that the seams of talent in Wales are not yet worked out.

The game was never really a fair contest. The teams were on two different levels of ability. It was also rather unsatisfactory because so many mistakes were made by both sides and only in the last quarter of the game did Wales progress from embarrassed stuttering to easy, flowing rhetoric. England had no power of speech at all.

England were unrecognisable as the vibrant force they were against France; but Wales' forward play was perfectly controlled. In the slippery conditions it was essential to control the issue and distribution of the ball, especially at the line-out. Here was the origin of England's downfall. Whereas Wales varied the formation of their line-out imaginatively, and Quinnell and Squire drove forward to break the game line, Horton, England's principal line-out forward, rarely caught the ball cleanly.

Tapping is still the vogue but it needs to be accurate, otherwise the scrum half has a dreadful time, as Kingston did. Horton presented Roberts with a try by senselessly tapping back on England's line. Beaumont also had too many deflections intercepted. Roberts' selection was criticised by many Welsh pundits, but he secured the front of the line-out, and although Scott did reasonably well, the Welsh with Squire and Quinnell were more potent at the back.

When Wales did expand their game, thanks to the marvellous work of Price, Quinnell and Squire, Holmes let Davies have the ball so regularly that the fly-half directed the game with ease.

Davies' precise and long touch-kicking crippled England, as did Bennett's and Hignell's lack of length.

There was such an obvious gulf between the half-backs. The Welsh pair were brilliantly supported by Ringer, whose advance this season has been notable.

Richards in the centre was faster in thought and movement than any England three-quarter, and fed off Fenwick's experience and steadiness. Dodge, I am sad to say, apart from his tackling, contributes nothing in attack and kicks the ball away when under the slightest pressure. He also held on with an overlap outside, as did Cardus crucially.

Cardus has pace and time to develop, but the search continues for centres who can pass the ball quickly and accurately, as well as having the skill to outwit an opponent.

It must not be forgotten that the three-quarters' success hinges almost exclusively on the outcome of the forward struggle, and England lost that struggle in every phase. Not so badly that Bennett had no chance at all, but badly enough to ensure that all England's movements were executed under pressure.

Wales never had to suffer such pressure, except for a while at the start of the second half. First Hignell knocked on, taking the return pass from Slemen, Bennett missed with a drop goal and a penalty, Cardus kicked the ball away needlessly, Bennett hesitated with good possession, and finally Hignell was swamped by Quinnell and Fenwick.

The score at that stage was still only 7—3 to Wales; but such chances were not to repeat themselves, and Bennett's lapses in penalty goal-kicking proved to be far more reaching for England than Fenwick's were for Wales.

SOCCER BY TREVOR BAILEY

Forest half way to another double

NOTTINGHAM FOREST won the League Cup for the second successive year by beating Southampton, whose limitations Lawrie McMenemy had camouflaged so well until Saturday, in an entertaining, yet mistake-littered final.

The pitch was heavy and slippery, and seldom can quite so many passes have gone astray. It was surprising not that Forest should have won, but that having obtained only 31 goals in 30 League matches, and possessing a splendidly organised defence, they should have scored three, conceded two, and had two disallowed.

Southampton began well and took the lead with a delightfully engineered goal. Then, in the last 10 minutes of the first half, they began to lose the initiative in midfield.

Consolation goal

After the interval it was all Forest. They completely outclassed their opponents, and produced a calibre of football which could well bring them the European Cup later this year.

Southampton did obtain a spectacular consolation goal in the closing stages, but the outcome was never in serious doubt from the moment Birtles secured the equaliser. The considerable difference in ability between the two teams was there for all to see.

It should be remembered that Nottingham Forest are an outstanding side who won the championship last season while Southampton are fighting their way out of the Second Division with an interesting mixture of experience and youth. They are really no more than an average lower half of the table First Division team who lately have been playing above themselves.

There is, however, one marked similarity between the two clubs. Both are controlled by fine managers with great records—Brian Clough and Lawrie McMenemy.

This pair came from the North East, where the passion for football is much greater than in Nottingham or Southampton. They must be frustrated that local support in both areas is not as strong as it should be.

Brian, with the invaluable assistance of Peter Taylor, has transformed Nottingham Forest from an undistinguished Second Division club into one of the most accomplished teams in Europe. They have also dramatically improved the ground facilities, and there would be capacity crowds every week, and not just for special matches, if their rise to success had happened on Tyneside instead of in the Midlands.

Lawrie McMenemy, with even smaller financial resources than Brian Clough, took Southampton to their first FA Cup triumph in 1975-76. He then rebuilt his team cheaply and efficiently, led them back to the First Division after a brief spell in the Second Division, and believes that the council should provide them with a stadium worthy of their status.

He is now confronted by what surely must be one of the biggest challenges of his career — to convince his players that they can beat Arsenal in the FA Cup quarter-final on Monday.

Fortunately, they have ground advantage. Arsenal, however, should fancy their chances of obtaining at least a draw since one senses that the Saints' run of success has come to an end.

Will Lawrie be able to restore the confidence of a plainly shattered defence in which his young keeper, Gennoe, panicked and had a nightmare of a second half, which included allowing a gentle shot along the ground to go through his arms and legs, and roll across the face of the goal?

It will be very difficult, as his men gave everything on Saturday, and it was not enough.

To be perfectly honest, Southampton are not really sufficiently accomplished to justify having the opportunity of two appearances at Wembley in one year.

In sharp contrast, Clough's team go to Zurich on Wednesday in the European Cup with a comfortable lead, and the reassuring knowledge that they are already assured of a place in Europe next winter.

Remarkable team

Against Southampton, they were without their finest two defenders, Burns and Anderson. In the later stages, they played with the same skill and sparkle which made them so exciting last year.

Birtles, a remarkable discovery, led the forward line with dashing style. Woodcock is also back among the goals again, so it is hard to see Trevor Francis, the first £1m player, claiming a regular place in this remarkable team at present.

Last year, Forest achieved the double of the League championship and the League cup. This year could see them carry off another—the European and the League Cup.

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Time to agree on the sea

ONE OF the world's longest, but least-known international negotiating marathons resumes in Geneva today almost five years since it first officially started. Delegates from nearly 150 countries will be taking their places for what is formally known as the Eighth Session of the third United Nations Law of the Sea conference in the hope that the end may be finally near. Like many international negotiations, the detailed subject matter is complex and highly technical. But the outcome could be one of the world's most comprehensive international treaties, with major implications for future relations between rich and poor nations.

Minerals

Most immediately at stake are rules governing virtually every aspect of the use of oceans and sea lanes—ranging from the right of innocent passage by submarines through territorial waters, to the exploitation of sea-bed mineral resources. But the developing countries have also made it clear that they would like to see the establishment of new maritime laws that could be used as a precedent in future negotiations about the distribution of the world's resources wherever they might be discovered.

Their hope is to reach agreement, if only implicitly, on the general principle that the industrialised countries must, at the very least, share the fruits of their financial and technological advantages with the less privileged. At the most, they would like to secure control, through their United Nations majority, over the exploitation of all new resources.

Once again, the conference is starting a new session amid widespread predictions that it must be the last. About 90 per cent of the issues at stake have been more or less settled, and negotiators have reached the point at which they have little new left to say—the main negotiating points have been repeated *ad nauseam* over the last few years. It is a costly process particularly for developing countries and many Governments would like to get it over. The

Only the most advanced industrialised countries—and predominantly the U.S.—possess the technology required to mine the mineral-rich nodules that lie on or just below the ocean floor. American companies and their affiliates are anxious to make a start given that the sea-bed resources of minerals like nickel, cobalt, copper and manganese, are thought to equal those on land. Many of the land-based minerals are in countries that do not make life easy for multi-national corporations.

Developing countries are understandably concerned that the exploitation of major new reserves will hold down the price of minerals on which they rely for export earnings. They are also anxious that industrialised countries should not be allowed to scoop the pool of resources that the UN has denominated "the common heritage of mankind." These are *justifiable anxieties which most industrialised countries appear to appreciate.* In return, it must be hoped that the developing countries *do not try to use* their numeral superiority to impose an exploitation regime that is so one-sided as to deter the only companies with the required technology from putting it to use.

The same goes for the second major outstanding issue, the definition of Continental shelves on which there is no clear rich-poor line-up. Those countries seeking the maximum Continental shelf limits—the ones, of course, that have the biggest shelves — include developing nations like India, Sri Lanka and Argentina as well as the UK, Canada, Australia, Norway and Ireland. Here again a new treaty will only make sense if it is acceptable to those with legitimate claims.

North-South

That is another reason for regarding the Law of the Sea Conference as setting potentially important precedents. The world is too diversed for decisions on such important issues to be taken by a simple majority of United Nations members—nor would they be enforceable if they were. But that does not mean that the rich nations can disregard the interests of the poorer majority. If the latest session fails, it will give the developing countries one more grievance to store up for *the future at a time when,* with the forthcoming UNCTAD V meeting in Manila, the north-south dialogue is once again moving into clearer *focus.* It would be in everyone's interest if the Law of the Sea Conference can at last reach the compromise conclusion for which it has for so long been striving.

Redeployment in steel

THE STEEL CORPORATION'S decision to phase out iron and steel making at Bilston in Staffordshire and Corby in Northamptonshire marks the beginning of what could be *described as a second and more* radical round of steel works closures. The first round was completed last year and consisted of the plants whose life had been extended by the Beswick review instituted by the Government shortly after it came into office in 1974. By last March, when the Corporation's losses had risen to an annual rate of over £400m, the Government was forced to recognise that the decision to delay these closures had been a costly mistake.

Neither Bilston nor Corby *featured in the Beswick review.* Their closure has become necessary not merely because the Corporation is still incurring very heavy losses—estimated to be about £300m to £350m in the year ending this month—but also because the Corporation will be commissioning substantial and low-cost iron and steel making capacity in the next 12 months at Ravenscraig in Scotland and Redcar on Teesside at a time when the demand for steel still remains very sluggish.

Pragmatic

The Corporation intends to retain its existing steel finishing *facilities*—billets at Bilston and tubes at Corby—and to supply them with the considerably cheaper steel it will have available at *Ravenscraig and* Teesside. This is part of its longer term aim of concentrating bulk steel making at these two centres and at Scunthorpe, Sheffield, and in South Wales. This implies that the steel making facilities at Shotton and Consett *are also at risk.* But the Corporation is wisely pursuing a pragmatic policy on closures and has so far said nothing about *its plans apart from* Bilston and Corby.

At both places the Corporation's proposals have aroused *local opposition.* At both, the Corporation is a major employer and local unemployment is already high. At Bilston, the local authorities commissioned a study from Aston University which emphasised the social costs of closure and proposed an alternative programme for retaining steel making by modernising the local furnaces. *But it makes no sense to run* the large new plants the Corporation has been building elsewhere at a lower capacity in order to support employment at obsolete works. To delay inevitable rationalisation will merely make the eventual problems worse.

Manning

The end of steel making at *Bilston and Corby,* together with the phasing out of steel making at Shotton and Consett, will go only part of the way *towards restoring* BSC *to profitability.* Between them, they are responsible for roughly a third of its current rate of loss. Further closures and further reductions in manpower will be needed elsewhere if BSC is to get its manning levels down to internationally competitive *levels. If BSC is to retain its* market share, let alone increase it, it has to produce steel at a price and a quality that is *competitive.*

So long as the Corporation is running at heavy loss, there will always be a risk of its *exports* being restricted in markets, such as the U.S., where the Government's financial support for BSC is seen by some competitors as constituting a subsidy.

The Corporation has so far had considerable success in *overcoming local opposition to* plant closures by its policy of offering to negotiate generous severance terms and as a result of the effort it has been putting into its self-imposed task of attracting new and more secure non-steel employment in the areas affected. Since last year's White Paper on the future of steel, the Government has adopted a posture of no visible involvement in the closure programme but its support is evident from its rejection of the call at Bilston for a public inquiry. Turning the steel industry round will be no easy task, but there can be no choice other than to continue to press ahead.

Foreign banks break through in America

BY STEWART FLEMING IN NEW YORK

AMERICA is a country with banking laws designed to prevent even a New York bank opening an *office in neighbouring New* Jersey, and most states still do not allow foreign banks to open for business. So the Federal Reserve *Board's decision last* Friday to approve proposals which will permit three of the world's leading international *banks to spend over $1bn taking* control of three of the top 50 U.S. banks must be seen as an event of broad national *significance.*

Its decision is expected to result in the Hongkong Bank taking control of Marine Midland, National Westminster buying control of National Bank of North America (NBNA), and Standard Chartered Bank buying Union Bank of Los Angeles.

The decision is a landmark for world banking. A decade ago, it would have been difficult to imagine two banks as big as Hongkong and Shanghai Banking Corporation (HSBC) and Marine Midland *(Marine) deciding that the cultural gulf between Hongkong* and Buffalo, New York, could be bridged by common financial interests.

Even today the partnership could prove difficult. But changes which have brought the world's financial markets closer together—the pervasive influence of the dollar as a trading currency and improved communications amongst them—are fostering such links.

The Fed has approved each of the three proposals in spite of regulatory problems (raised most acutely in the Hongkong case) and in spite of the size of the U.S. banks being acquired. Each bank has assets of over $4bn. *Except Marine's case,* the decision thus represents a clear departure from a tradition of the past. Usually the Fed has *blessed such big foreign bank* acquisitions only if the U.S. bank badly needed support and new capital.

Neither in Congress nor in the country at large is there unanimity on the role foreign banks should play in the U.S. economy, as seen by the controversy preceding the Fed's decision. The Federal Reserve is taking the lead in trying to establish, first through legislation and now through a key policy statement and case law, a clear philosophy of its own for dealing with the issues raised.

Its guiding principle, and that of the International Banking Act which President Carter signed last September has been "national treatment." That means that foreign banks should neither have privileges nor suffer disabilities that the U.S. banks do not have. How clearly it can be translated into regulatory practice will vary from case to case.

The Act went some way towards eliminating what many U.S. bankers and legislators felt to be the unfair advantage which foreign banks in the U.S. had over U.S. banks in a number of areas, including the freedom to branch across state lines.

"National treatment" means that foreign banks should be permitted to acquire U.S. banks as long as they fulfil the same sort of requirements as U.S. banks wanting to make domestic takeovers. While this seems at one level to be a fine and simple principle, some senior bankers and at least one bank regulator are already quarrelling with its implications.

They point out, for example, that no New York bank big enough to do so would in practice be permitted to take over *Marine Midland* or probably even NBNA, because it would probably violate laws governing competition.

The New York State Banking Superintendent, Miss Muriel Siebert, has argued that central banks in most other countries *would not permit* U.S. banks to take over similar-sized institutions in their countries. In this sense and in others, she would *argue there is a lack of reciprocity.* She has also expressed concern about the control of U.S. assets from abroad.

Miss Siebert is known to be concerned about the restrictive approach of the Canadian authorities to foreign banking. That could yet play a role, however indirectly, in the fate of a deal by which the Bank of Montreal intends to acquire 84 of Bankers Trust's 104 retail branches in New York State, with aggregate assets of about $1bn.

It is issues such as these which last month induced the Congress to begin its own examination of U.S. policy on foreign bank takeovers. There can be little doubt that given the divisions that already exist, if the Fed's move on Friday were to open the door to a wave of foreign bank takeovers in the U.S., *the mood in the country* could become hostile.

The Federal Reserve chairman, Mr. G. William Miller, hinted as much when he warned last week against foreign banks trying to take over U.S. banks which do not want to be acquired.

In the meantime, however, the Fed through its decisions has reinforced its policy of permitting foreign bank expansion. As one reads its policy statement on acquisitions and the statements made on each of the three decisions issued on Friday, some of its reasoning becomes clear.

In part it is bending to well-established economic forces. As one official in Washington put it: "If we want the world to continue holding dollars, we have to provide access to our banking system." International banks with substantial assets in dollars naturally are anxious to have access to U.S. domestic money markets for dollar funds. They are also anxious to service their customers in the U.S.

Since about 1972 the rate of growth of foreign direct investment in the U.S. has almost doubled, with major foreign companies each month establishing new plants or individuals buying property. The foreign banking invasion, which has seen foreign bank assets increase from $20bn in 1972 to over $90bn at the end of last year, is part of this trend, as well as partly a response to it.

On its side, the Fed clearly sees advantages to the U.S. banks which are being acquired. It points out, for example, that Marine Midland will get $200m of sorely-needed new capital as a result of the link with HSBC. National Bank of North America and Union Bank are each to get an injection of $25m of new capital. National Westminster appears to be committed to a major development of NBNA's branch network, including the installation of automated teller equipment.

Standard Chartered is expected by the Fed to develop Union Bank's limited retail branch network and expand its home loan lending. In each case, the acquisitions, the Fed argues, will stimulate local competition and expand the U.S. banks' ability to compete internationally and service their customers *abroad to the benefit of* U.S. exports.

The Fed has also made it clear that the U.S. subsidiaries are not to be regarded *simply as* vehicles giving access to the central bank's lender of last resort facility. It is expanding its supervision of transfers of funds between the U.S. subsidiary of a foreign bank and the parent company abroad. It *has thus begun to address in* more detail the serious regulatory issues which such international banking mergers raise.

But the Fed has carefully avoided trying to extend U.S. regulatory principles outside the country. Thus the Hongkong and Shanghai Bank has not been required to disclose publicly anything beyond the paltry information on its operations which it gives now. This leaves it in a privileged position *vis-à-vis* its U.S. competitors, even though it does not have the ultimate backing of a central bank in Hongkong to act as lender of lost assets.

For the foreign banks involved, therefore, the Fed's decisions represent the most favourable outcome that could have been reasonably expected. There are some loose ends to be tied up, including in all cases a 30-day waiting period before further steps to consummate the deals can be taken. But at this stage none of the obstacles in any of the cases seem insuperable—which is not to say that they are all trivial.

The foreign banks now have to face up to their new responsibilities. The New York retail banking market which Hongkong and *NatWest* are entering has been a graveyard for the ambitions of many U.S. banking executives over the past decade. Competition is intensifying, with Citibank, the largest bank in New York, leading the introduction of expensive new technology.

In California, too, competition is intense. The new purchasers must hope when they take charge of their acquisitions that the existing management made the most of the banking conditions of the three years to get over the problems of the last recession.

If the Carter Administration and the Federal Reserve fail to pull off what Mr. Miller has described as the "minor miracle of a soft landing" for the economy—a smooth slowdown to a less inflationary rate of growth—the new owners of the three U.S. banks may have to call heavily on their talents and resources.

THE SIZE AND PRECEDENTS OF THE DEALS

THE BRITISH BANKS—BEFORE AND AFTER

	Assets $bn	Combined $bn
Hongkong and Shanghai Banking	14.8	2.67
+ Marine Midland	11.9	
Standard Chartered	13.2	17.7
+ Union Bancorp	4.5	
National Westminster	36.5	40.3
+ National Bank of North America	3.8	

Source: The Banker, June 1978.

MAJOR FOREIGN ACQUISITIONS OF U.S. BANKS

		Approx. cost $m
1973	Barclays-First National Bank of Westchester	n/a
1974	Lloyds-First Western Bank and Trust	115
	European American-Franklin National	125
1975	Bank of Tokyo-Southern California First	n/a

PENDING DEALS

Hongkong and Shanghai Banking-Marine Midland	260
National Westminster-National Bank of America	300
Standard Chartered-Union Bancorp	372
Barclays-American Credit	191
Algemene Bank Nederland-La Salle	82
Bank of Credit and Commerce International-Financial General Bankshares	75

The reasons for going in

BY WILLIAM HALL AND MICHAEL LAFFERTY IN LONDON

THE three U.S. bank takeovers approved by the Federal Reserve on Friday represent the largest foreign acquisitions in the *history of British banking.* If consummated, they will give British banks the biggest foreign presence in the world's most important banking market.

The biggest deal is Standard Chartered's purchase of Union Bancorp, California's sixth largest bank. It is virtually completed. The final hurdle is the Justice Department, which has 30 days to object. For National Westminster the Fed's approval is a major step forward. But a complication has arisen. CIT, the financial conglomerate which currently owns National Bank of North America, has been refused permission by the Fed to divest itself of its restrictive bank holding company status.

Under the proposed deal between NatWest and CIT, the latter was to retain a 24.9 per cent stake in NBNA, but it was a condition of the sale that CIT would be allowed to get rid of its bank holding status. In rejecting CIT's application the Federal Reserve Board cited the long-standing relationship between CIT and NBNA, and the "substantial economic interest that would continue." The implication is that NatWest will have to buy even more than the planned 75 per cent stake in NBNA if it wants to go ahead. Assuming this problem can be overcome NatWest too will only have the Justice Department hurdle to overcome.

For Hongkong and Shanghai, the Fed's approval of its merger with Marine Midland, the 15th largest U.S. bank is a major step forward. The combined group will rank among the top two dozen banks in the world. However, as it is buying a state chartered bank, Hongkong and Shanghai also has to win the approval of the New York State Banking authorities. That could *still prove to be a major obstacle.* In 1973, for example, New York barred Barclays Bank from acquiring Long Island Trust Company. With assets of under $1bn Litco was a minnow compared with Marine Midland which boasts assets of $14.3bn. Unlike Litco, Marine Midland needs an outside injection of capital and this might ultimately guide the authorities' hands.

The British banks have already been criticised for allegedly paying over the odds for their proposed acquisitions. Initially, the deals will only have a marginal impact on earnings after financing charges. In 1978, for example, NatWest had earnings of £182m; NBNA reported net income of about £9m. The comparable last reported figures for the other banks are: Hongkong and Shanghai £76.5m; Marine Midland £12m, Standard Chartered £53m (on a full tax charge); Union Bancorp £12.5m.

So why are British banks so intent on breaking into one of the most competitive banking markets in the world? Most important appears to be the strategic need to diversify earnings. Hongkong and Shanghai is still heavily dependent on Hong Kong which has a population of fewer than 5m people—and there is a question of what happens when the British lease on the New Territories on the Chinese mainland runs out in *1997. Standard Chartered* too is eager to reduce its dependence on politically sensitive areas like southern Africa—even if *it means accepting lower* returns in the short-term at least. In other words they are prepared to put up with poorer *returns in a more reliable political environment.*

Mr. Peter Graham, chief executive of Standard Chartered simply says: "The acquisition of Union Bancorp gives us a better geographical spread and a profitable base in the fastest *growing area of the U.S.* To emphasise the point Standard Chartered still has further expansion plans in the growth *areas of the world.* The eventual objective is to have a well-diversified international banking group strong in the *East—one of the bank's current strongholds—the U.S.* and, eventually, in Europe. Our future is very rosy indeed. The *Union acquisition opens up all* sorts of possibilities."

For NatWest the need to diversify is less pressing, since it already has a sizeable wholesale U.S. operation. However, with NBNA with 141 offices in New York State within its fold, NatWest's U.S. assets will be well above $6bn. This provides a significant dollar base which could prove useful in the unlikely event of serious disturbances in the Euromarkets. It also means, as the bank's chief executive, Mr. Jeff Benson, *said yesterday,* that NatWest would be much better placed to serve its own multinational company clients.

There is a lot of sense in these arguments. However, the record of foreign bank acquisitions in the U.S. so far is far from impressive. Lloyds took over the eighth largest bank in California in 1973 and is only now showing a reasonable return. Meanwhile European American Banking Corp (which is owned by half a dozen top European banks, including Midland) has not done anything spectacular with Franklin National which it bought as an ailing concern. Marine Midland has had some well-publicised problems in the past. However, Hongkong and Shanghai has said that it does not intend to interfere with either the day-to-day running of Marine Midland or its management—it is only injecting new capital.

Other British banks will certainly be watching the deals very carefully. Barclays, with its proposed acquisition of the consumer credit concern, American Credit, has chosen a less traditional and less expensive route to acquire U.S. assets and earnings. Midland Bank still has to make a move. The existing partnership in European American is not thought to meet the Midland board's long-term objectives.

The intriguing question which has crossed more than a few bankers' minds in recent months is whether Midland—which has a 16 per cent stake in Standard Chartered—will now pounce on Standard Chartered/Union Bancorp. This would put it among the top dozen banks in the world. But at the moment perhaps it is only a chairman's dream or nightmare of Lord Armstrong at Midland and Lord Barber at Standard Chartered.

MEN AND MATTERS

Oil politics on the horizon

This may prove to be the week when the Government finally recognises that oil pollution is a dangerous political issue. It could be merely a coincidence that the Department of Trade *has announced a seminar for* this morning on emergency measures to combat pollution—just as demands are mounting *in the* Shetlands for the closure of the £800m Sullom Voe terminal.

Appropriately enough, the seminar is being addressed by John Smith, Scottish-born Secretary of State for Trade. He will be anxious to convince his listeners that the Government is steaming at *full* speed with plans to catch the rogue tankers around our shores. But Smith will need all the verbal agility *he once showed as Glasgow* University's champion student debater to make much impression.

Two of the Government's sharpest critics on oil pollution will be busy later in the day, in the Lords. They are Lords Ritchie-Calder and Campbell of Croy—both members of the independent Advisory Committee on Oil Pollution of the Sea (ACOPS).

An idealistic young MP named James Callaghan started ACOPS back in 1952, when oil pollution was fairly much a non-subject. Callaghan is stil lthe committee's president, but has to endure some trenchant attacks from it on Britain's recent attitudes towards oil tanker control. ACOPS is funded by local authorities, which gives it the freedom to harass the Government as it sees fit.

Lord Campbell, a former Tory Secretary of State for Scotland, is the vice-president; he will be leading off today's debate at Westminster. Sullom Voe will be the crux — and ACOPS is well briefed on the mood in the Shetlands: its fulltime secretary, Dr. Viktor Sebek, has been up there during the past weekend.

"I'm sorry she's not quite ready—perhaps you should be throwing a cup of tea instead."

Sebek, an LSE-trained expert on the law of the sea, told me yesterday that there is great anxiety in the Shelands about tankers discharging dirty ballast water as they approach Sullom Voe. "There are no ballast water facilities at the terminal," says Sebek. "The Government should have thought about this long ago." There are demands for shutting the place down until facilities are ready in May.

The Government was badly jolted last week when five defiant Labour MP's voted for a Conservative backbench amendment to the Merchant Shipping Bill, to make oil companies liable to pay for pollution caused by spillages. At present, shipping companies are liable. The clause was carried — and the Government now has the task of getting it removed.

Top values

In another country coming up to a general election, a controversy is stirring that will make many British bankers—and politicians—envious. It is about the salaries being earned in little Austria, a country which has had a Socialist government for nine years.

The popular newspapers are pointing to the earnings of Dr. Heinrich Treichl, director general of the Creditanstalt Bankverein. He collects before tax about Sch 3m (£110,000)—more than twice the salary of Federal Chancellor Kreisky. It is also claimed by one newspaper that Treichl sits on the supervisory Boards of some two dozen companies, which almost doubles his salary.

With eyes on the elections in May, the papers are asking whether Kreisky should get so much less—especially since the *State owns 60 per cent of* Creditanstalt and he thus represents the major shareholder. Treichl himself has said dryly: "Compared to the comparable credit institutes abroad, it is possible that I am underpaid. But I do not know whether one should also say this about Austrian Cabinet members."

The Socialists have been hoping to make capital—if that is the word—out of the whole quarrel. But they are also vulnerable, because Treichl's deputy, Dr. Vranitzky, has a total earnings of Sch 2.25m. He happens to be a Socialist.

Chancellor Kreisky has raised the idea of increasing the top rate of tax in Austria—now 62 per cent. But politicians pay tax on only half their incomes.

Holmes hits town

An American musician-turned-playwright named *Paul Giovanni* can breathe a sigh of relief. His Conan Doyle pastiche, "The Crucifer of Blood," which opens on Wednesday *at the Haymarket* Theatre in London, has been given a seal of approval from that formidable body, the Sherlock Holmes *Society of* Great Britain.

"We wish it very well," says the society's secretary, Captain William Michell. "Our members keep a sense of fun. After all, there was once a ballet about Sherlock Holmes. Pretty good, too, I'm told."

The play is already running to packed houses in New York, and looks set to do the same here, with such leading actors as Susan Hampshire and Keith Michell (no relation to the *society's secretary).* "*My heart sinks,*" confesses Captain Michell, "at the postbag I am going to get—asking me how *many times Dr. Watson was* married and that sort of thing."

Just as the Baker Street cult is about to be given a fillip by Giovanni's medley of farce and melodrama, the Sherlock Holmes Society is bringing in a new name to lead its enthusiasts. Lord Gore-Booth, president for 12 years, has lately resigned, and a successor is about to be named.

Who will it be? "Couldn't take the lid off that one," replied Michell in his most brisk quarter-deck manner. "Somebody eminent, of course." *Perhaps Michell will be escorting* the new president on the first night of the new play. "I hear it's pretty noisy," he said with *obvious anticipation.*

Having been to a preview, I could assure him that it is. In fact, the Haymarket can never have experienced such thunderous sound since it was opened 160 years ago. To get the effects just right, the opening was delayed a week while special equipment came from America.

Lancet thrust

My vote for the most *undiplomatic utterance* of the whole NUPE dispute goes to the latest remarks by Dr. Tony Griffiths, chairman of Sheffield's *Authority South* Eastern management team: "Undoubtedly there is risk of death. Some patients will have to stay at home *and be* treated by their GPs as best they can."

Observer

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FINANCIAL TIMES SURVEY
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Euromarkets

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Foreign exchange upheavals, rapidly growing international liquidity and rising U.S. interest rates dominated the world capital markets in 1978. But the dollar's stabilisation is leading many observers to hope for a change in trend some time this year.

Market shaped by the dollar

By Nicholas Colchester

MUCH OF the recent character of the international capital market stems from the weakness of its chief currency medium, the U.S. dollar. The growing predominance of floating rate lending, whether through syndicated loans or floating rate notes; the rising proportion of the fixed rate bond market denominated in "strong" currencies; the continuing swing of loan conditions in favour of the borrower—all these different strands can be traced back to the dollar's problem. The market now faces the possibility that the worst of this problem is over and that these consequences will be partly reversed.

The importance of the dollar as a reserve and trading currency puts pressure on monetary authorities around the world to behave in a way that mirrors the monetary policies of the U.S., or at least the investor's perception of them. For much of last year this perception was of American weakness—of the U.S. Administration's unwillingness to face up to its current account deficit and to bring the U.S. money supply under control.

To help the dollar, and to prevent the appreciation of their own currencies from becoming too painful, the strong currency countries—notably West Germany and Switzerland—were forced to expand their own money supply. The result was rising interest rates in the U.S. set against falling or stable interest rates in Switzerland and Germany.

The dollar bond market was weak, and weakening, for the international investor, and ultimately became too expensive for the borrower. The hard-currency markets were strong and stable for the investor, although the rise of the Swiss franc in particular, tended to discourage the borrower.

Plateau

There are already signs this year that this pattern is changing. Despite events in Iran, which have certainly caused a deterioration in the outlook for the U.S. balance of payments, the dollar has stabilised of late. Interest rates in the U.S. are regarded as having reached, if not the top, at least a kind of undulating plateau of indefinite extent.

Consistently, the strong currency countries have mirrored these developments with a tighter grip on money supply—partly to compensate for last year's excesses. Their interest rates are tending upwards, anti-inflation measures have re-assumed priority, and the bond markets there have weakened noticeably.

Behind the shifts in the character of the market caused by the recent currency unrest, two trends have remained apparently immutable—the Euro-currency market, the market in currencies outside their home countries, has continued to grow at an annual rate of 25 per cent, and the total credit extended by the international capital market has continued to expand. Last year this market provided $98bn in new credits, up from $66bn the previous year according to the OECD.

Much of this very rapid growth was due to refinancing, on increasingly favourable terms, but even so according to Morgan Guaranty the total of net new bonds and credits rose from $55bn to $66bn. The driving force behind this rising need for credit remained balance-of-payment imbalances, for while the clear cut predominance of OPEC surpluses has disappeared there remain deficits and surpluses between industrial countries together with deficits in Eastern Europe and in the developing countries. It is notable, too, that the developing countries are not only financing deficits but also building up their reserves for the future.

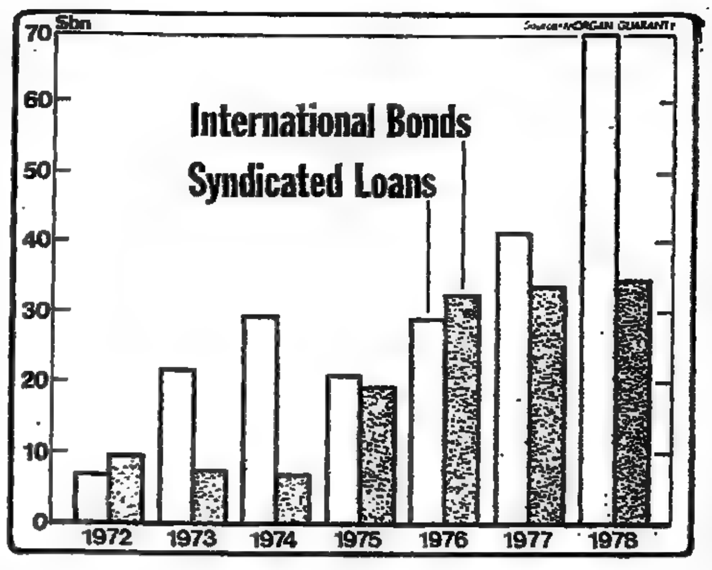
On the supply side there has been a substantial flow of dollar funds into the Euromarkets both from the U.S. and from central banks and monetary authorities around the world. These have reflected both the fact that Euro-currency interest rates have been higher than U.S. interest rates, and a desire to diversify into non-dollar assets. Morgan Guaranty has estimated that central bank deposits with the Euromarket have been responsible for funding one third of the Eurocurrency market's growth since the end of 1973.

Given this demand for loans, and this supply of dollars, the international capital market has settled on the syndicated loan as the easiest way of providing funds under unsettled exchange rate and interest rate conditions. Of the $100m in new credit arranged last year $66bn was in the form of syndicated floating rate loans of which all but an insignificant proportion was denominated in dollars.

Why has floating rate lending—predominantly through loans but also through a rising volume of Floating Rate Notes—acquired, for the second time, such a dominant position? The first part of the answer must be that most of the world's borrowers still want to borrow dollars. The dollar remains the most universally accepted medium for payments, and a large part of foreign currency borrowing in other currencies tends to be converted immediately into dollars by the borrower.

A widespread move to diversify assets out of dollars is entirely consistent with a desire to incur dollar liabilities through dollar borrowing. The very sharp currency shifts of the last few years have left borrowers unimpressed by the low interest rates available in strong currencies—the resulting currency exposure has often proved much more expensive than the interest saved.

Then why not fixed rate dollar bonds? The figures show that despite the continuing demand for dollar financing the volume of dollar Euro-bonds fell from $18.5bn to $14.6bn last year while the quantity of dollar bonds issued for foreigners in the U.S. — yankee bonds — fell marginally as well.



Handsome

Last year cumulative uncertainties over currency exchange rates and yields were too great for many investors and borrowers to enter into long-term fixed-rate commitments. On the borrowers' side there remained a conviction that short-term interest rates of 12 per cent would prove an abberation and that a long-term coupon of 10 per cent would prove a poor deal. Meanwhile the investor has not trusted the dollar and has preferred to invest short, remain flexible, and get a handsome return.

In addition, the bond investor, whether private of institutional, has remained choosier about the creditworthiness of the borrower than the syndicated loan market. The fraction of bond issues to non-OECD borrowers has been creeping up, but was still only 17 per cent last year. In contrast, roughly one half of the funds provided by the international capital markets as a whole went to non-OECD borrowers.

The middle way between all these uncertainties has again been provided by the international banks, and they have competed fiercely to shoulder the risks implicit in this service. They have provided the "maturity transformation" needed to turn six-month deposits into loans of up to 15 years. The tricky business of an interest rate commitment has been avoided through the floating rate mechanism. They have rushed in where private investors would fear to tread.

A conspicuous push by the international arms of Japanese banks has recently added to already intense competition between European and U.S. banks. So far there has been no sign of any faltering in the supply of short-term funds to the Eurodollar market, so there has been nothing to dampen the impact of this competition on the terms of international banks' lending.

Breached

Maturities have been stretched to the point where loans now match the longest Eurobonds. The spread of interest rate over interbank rate has been progressively reduced. In the past year the annual risk premium for the average non-OECD borrower has been halved. The "best" spread for top-quality borrowers has stuck for some months at ⅝ per cent, but even this resistance level has now been breached.

At the same time, despite their long-term commitments to borrowers, banks have often been powerless to prevent a borrower from "refinancing" his loan on more favourable terms. Such refinancing probably accounted for one-fifth of the new syndicated loans extended last year.

The accompanying chart shows that in the background to the syndicated lending spree the issue volume in the international bond market has continued to edge upwards. The dollar problem shifted the emphasis somewhat away from the dollar Eurobond market towards D-Mark bonds, Swiss franc bonds, and, a newcomer, the Japanese "samurai" bond—but already in the first weeks of 1979 this trend has started to reverse.

Despite last year's fall in issue volume, the mechanisms of the Eurodollar bond market continue to mature. A number of major U.S. commercial and investment banks have recently become market makers in the Eurobond market through their London subsidiaries. This can only add to the credibility of this secondary market to Eurobond investors. In addition, the mounting power and sophistication of international investment institutions is putting the current bond underwriting and distribution system under some pressure. These developments are described elsewhere in this survey.

Over the rest of this year there seems no prospect of a fall in the demand for credit in the international capital markets. Morgan Guaranty reckons on $40bn in principal repayments on bonds and international loans for a start. China and the EEC will be in the market as borrowers. An improvement in the U.S. position could lessen the payment imbalances between industrialised countries, but the deficit of non-oil developing countries looks set to widen.

A sustained period of highish interest rates and exchange market stability for the dollar could well lead to a more powerful showing by the dollar Eurobond market this year; the recent opening of the dollar bond "window" showed the number of would be borrowers. A period of calm for the dollar could also lead in time to a reduction of liquidity in the Eurodollar market. The combination of this, and a slightly more reticent attitude by the international banks, could bring the great refinancing spread reduction party to an end.

Flood of world liquidity

LAST WEEK the Caisse Nationale des Telecommunications, a French state agency, announced plans to raise a Eurodollar loan of $350m at a cost of ⅜ per cent over inter-bank rate, rising later to a princely spread of ½ per cent.

On the best available index of the adequacy of world liquidity, there is still a superabundance, for the market remains not only remarkably fine, but remarkably undiscriminating. Even borrowers of somewhat questionable standing pay almost invisibly small risk premiums. The over-liquid and apparently unsound market which was tending to frighten the participating bankers a year ago is proving remarably durable. It is still afloat on a flood of money.

Throughout the runaway growth of world liquidity which has persisted through the 1970s various commentators, equipped with tents and solar topees, have been trying to trace the flow to its source. One large encampment of explorers beseiges the U.S. Administration and complains of the current account deficit. Another large group tries to trace the criss-cross transactions in the Eurodollar market, and emerges brandishing estimated multipliers ranging from simple unity (the market is a pipeline, not a creditor creator) to seven or more.

Surpluses

The encampment in the Middle East, concerned with the investment of OPEC surpluses, is coming to life again, after looking for a time like an abandoned mining centre. Central bankers, as they tour the world making speeches, concede that something must be done.

The one place which seems to me sadly neglected in all this activity is the protected territory in which the central bankers themselves are to be found. This is odd, because when a national money supply gets cut of control, nobody thinks of blaming a bank customer whose freely-issued bills of exchange are eagerly accepted. Nobody blames a bank which grants loans, still less a depositor who likes to keep his funds on overnight account. Attention is immediately turned to monetary policy.

Perhaps because there is no such thing as a world monetary policy or a single world monetary authority, it seems to be assumed that nothing can be done. Individual central banks, buying up huge flows of internationally mobile capital of one denomination and converting it to another are somehow credited with trying to mop up excess liquidity, or at best as the helpless victims of events. Equally, it seems agreed that the Euromarkets are entirely out of control.

Yet the power of the central banks is quite clear-cut. As an eminent New York banker put it to me: "Our offshore operations are simply branch operations so far as the bank is concerned. Our power to write business is limited by our access to reserves, and the Federal Reserve Board is the only body which can create reserves."

In other words, those who seek an explanation of the excessive growth of dollar liquidity —and here we must include the growth of central bank reserve holdings of dollars, and their counterpart in external holdings of non-dollar currencies—need look little further than the growth of the U.S. monetary base, which has been the subject of so much unfavourable comment.

However, this does not mean that all the blame can be laid at the door of the Fed. Other central banks are not compelled to intervene in the currency markets: they do so voluntarily, no doubt for the best of reasons. Equally, central banks such as the Bundesbank, which impose special regulations to limit the impact of the currency they issue by way of intervention on their domestic money supplies, are no doubt concerned with domestic stability. What is not reasonable is that they should then argue that the migration of this currency in offshore deposits, where liquidity is more readily available and margins finer, is some deplorable event beyond their control. They provoked it.

Finally, it must be added that the reluctance of non-American central banks to permit the growth of official reserve holdings of their currencies exaggerates the picture statistically. Official and near-official monetary authorities are driven instead to make Eurodeposits: the banks which take them duly adjust their portfolios with their own central banks. The counterpart is now not an official reserve holding, but a Eurodollar deposit owned by a central bank.

One figure will serve to illustrate this picture of what central banks do to create world liquidity. The growth of world currency reserves since 1970, at $250bn, is of very much the same order of magnitude as the guesstimated growth of the net size of the Eurocurrency market.

These guesstimates should be read far more sceptically than they usually are, since a large number of important participants do not report their International Settlements. So measuring the Euromarkets is rather like trying to measure the UK's money supply without taking into account the figures from one of the clearing banks. Its deposits from customers will be omitted from the total, but its deposits with reporting banks will not be counted as interbank deposits. The net effect is guesswork.

Questions

If the responsibility of central banks for world liquidity is accepted, we can turn to the really interesting questions: why do they behave as they do, and are they likely to stop?

Two questions seem to me to be dominant here. The first, which has been widely discussed, is the preference for the small group of OPEC countries which are clearly in long-term surplus for liquid holdings. Their reluctance to use the recycling facilities offered by the International Monetary Fund is probably regrettable, though it is very doubtful if the IMF would have proved as willing as non-American central banks have been to finance a large and persistent U.S. current deficit.

This, however, is pretty much a fringe issue. Far greater sums have been mobilised by the central banks of a small group of industrial countries, two in large current surplus, and one with an embarrassingly strong exchange rate. Interventions in the exchange markets by Germany, Japan and Switzerland have accounted for a third of the total growth of world currency reserves since 1970.

Perhaps fairly, the Swiss can claim to be victims of their own myth—and of their own banking laws. A huge demand for Swiss franc holdings is unhappily a good indicator of turbulence in the world, and is only to be expected in a period when some of the world's least secure regimes have became unimaginably rich.

Germany and Japan, on the other hand, have been highly active participants in the creation of money. The motive can be regarded as a desire to remain competitive, a desire to resist an adjustment which the U.S. was determined to achieve, or simply a wish to maintain activity by financing net exports rather than by financing public spending: it makes very little difference.

Deliberately or not, they have enabled the U.S. to continue financing both a large current deficit and a large capital outflow, for their massive purchases of U.S. Treasury obligations have kept official borrowing in the New York markets to modest levels. Had they intervened on a smaller scale, U.S. interest rates would have been higher, U.S. credit growth checked earlier, and balance—perhaps at a depressed level of activity—would have been restored.

For a time it appeared that the Carter programme of November 1 1978 marked a watershed. At last the U.S. authorities themselves were concerned to stabilise the dollar in good earnest—by pushing up interest rates in New York. Heavy intervention, and a further large injection of world liquidity, was required in the early weeks to establish credibility, but by January of this year the dollar was actually commercially strong enough to reverse the tide of intervention. Then came Iran.

The conventional view at the moment appears to be that the events in Iran, and the enormous rise in the price of oil which has followed, have condemned the West to a replay of 1974 on a smaller scale, with an enlarged U.S. deficit, further Euromarket intermediation of OPEC surpluses, and a continued growth or excessive liquidity.

However, another scenario seems possible. The U.S. current deficit was financed by borrowing by U.S. citizens; it is now widely thought that within a few months, their hunger for credit will be partly sated, even if the Fed does not tighten its policies further. If this is so, then the U.S. is as capable of achieving balance or surplus despite large oil imports as is Germany or Japan.

Complete

It should also be noted that if the adjustment of the major exchange rates is now largely complete, as the markets have been suggesting—for what is remarkable in the recent turmoil is how *small* the changes have been—then current balances could change dramatically. In volume terms, for example, Japanese exports have been falling and imports rising for some time, trends masked by the still bigger changes in the exchange rate and the terms of trade. This is the J-curve effect; if it is now removed, money balances could readily change in an unexpected way.

In 1974 the appearance of large OPEC surpluses combined with a vast move out of the dollar to produce an explosion of world liquidity. This time round, the dollar flows could be relatively small, or even begin to move in the opposite direction (though probably not until the closing weeks of the year). A poor U.S. price performance need not prevent this change: indeed, realistic energy pricing, which would produce alarming inflation figures, would do more than anything to check the excess consumption which has caused the U.S. deficit.

Broadly, the story of the past four years is of the export, or willing import, of U.S. monetary inflation. This time round, U.S. inflation seems likely to stay at home. Unless the market panics afresh at the sight of the resulting price performance, the impact on world liquidity and world inflation could be much less than in recent years.

Anthony Harris

Interbank market under attack

THE FIGURES for autumn 1978 from the Bank for International Settlements show no sign that the growth of the Eurocurrency market is slackening. At the end of September banks in the world's significant banking centres had liabilities in currencies other than those native to each centre of $802bn equivalent. This implies a compound rate of growth since the beginning of this decade of about 25 per cent per annum.

This rapid rate of growth has been the object of suspicion since its origins 15 years ago. There has been recurring discussion of the need to "control the Euromarkets." This year has produced a renewed tendency to talk in this way. Last year saw great volatility in the foreign exchange markets. The primary victims of this volatility were the U.S. dollar, on the downside, and the German Mark and Swiss franc on the upside. Hence it was largely from West Germany and the U.S. that renewed mutterings about the need to curb "Stateless money" were to be heard.

The figure of $802bn represents the gross size of the market—a great deal of which consists of banks depositing currencies with other banks. Even the "net" figure of about $465bn, includes substantial amounts contributed or borrowed by banks as final users or original sources of funds. The amount of money deposited and drawn from the Euromarkets by non-banks is hard to ascertain but is probably less than half the net figure.

Reconciled

The large interbank element of the Eurocurrency market reflects this market's function as a sort of melting pot where the current rates of exchange, expectations about exchange rate movements, forward exchange rates, and the interest rates on various currencies are all reconciled one with another. It is the rapidity with which this occurs in the Eurocurrency market which leaves some participating governments with the feeling that they have lost control of their own monetary environment. In this sense the Euromarket is a convenient whipping boy for the difficult fact that rapid communications have made all the world's sophisticated money markets interdependent.

The Eurocurrency market commonly faces four charges. The first is that it involves a pyramid of credit which has added greatly to the world's spending power and thus to the prospect of inflation. The second is that it has increased the funds available for currency speculation and hence added to exchange rate instability. The third is that because it is a market both unregulated and highly competitive, it allows and encourages banks to make imprudent loans and to fund them imprudently. Finally there is the feeling that the Eurocurrency markets have short-circuited "official sources of finance" in making loans to developing countries with too few strings attached.

These charges break down broadly into two categories. First, those which are concerned with the alleged macro-economic impact of Eurocurrency markets raise the question whether the sort of controls with which central banks regulate their domestic banking markets should be extended in some way to embrace international bank business. Secondly, there are those which are concerned with prudence—both of banks and of borrowers. These imply a need for transparency in the markets and for some sort of policing system to prevent bad banks from making bad loans to bad borrowers.

There is a measure of agreement about the need for more transparency and supervision—in the softer sense of "having an overview." Since 1974, when in the wake of the Herstatt bank disaster, central banks declared themselves to be lenders of last resort to banks and their overseas operations, there has been a general move by these central banks to keep more closely in touch with the international loan business for which they are ultimately liable.

In 1977 the U.S. banking authorities, led by the Fed, established a system to collate information on the international exposure of all U.S. banks every six months. In 1974 the Bank of England sought "comfort letters" from banks abroad which owned part or all of banks operating in the City of London. Reciprocally it has made sure that it is fully informed of the overseas operations of British banks. It would not, for instance, allow a British bank to open in a banking centre that impeded the flow of information about its activities there back to the Bank of England.

Obstacles

The German banking authorities have had to negotiate hard to get round such obstacles in relation to Luxembourg—the centre of the Euromarket activities of the German banks. They are now receiving more information than before about the exposure of German banks abroad.

There have also been international measures to make sure that banks do not escape supervision by somebody. The Cooke Committee, chaired by Peter Cooke of the Bank of England, was established in 1974. Its secretariat is provided by the Bank for International Settlements. It has sought to lay down guidelines for the supervision of different types of banking operations — branches, subsidiaries and consortium banks, defining where the onus should be on the parent bank and where on the authorities of the centre in which the offshoot is operating.

The stress at the moment is upon development of control of international banks via the parent — an approach which ties in well with the management information needed by parent banks. But the Bank of England has also methodically developed its overview of the operations of banks of all nationalities, in the City, discussing their operations with their managements and receiving detailed reports of their positions in the foreign exchange and Euro-currency markets. This "belt and braces" approach to bank supervision is particularly apt for consortium banks where parental involvement in their activities is by definition somewhat diluted.

But while "transparency" is widely conceded to be desirable in the interest of prudential supervision, there is no agreement at all on the alleged macro-economic evils of the Euromarket. The most testing question which critics have to answer is: Which of the banking phenomena of this decade — the rapid build-up of bank loans to fund balance of payment imbalances, the rapid global increase in money supply, the rise of the forward exchange markets to meet the challenge of floating rates, the instability of currencies — would *not* have occurred had the Eurocurrency market been somehow prevented from emerging?

The case for the prosecution is thinly supported at the moment. The bulk of academic opinion currently rejects the thesis that the global spending power has been greatly augmented by a massive creation of credit in the Euromarkets. It is only marginally inclined to believe that the funds available for speculation have been increased through the Euromarket. It is perhaps more sympathetic to the notion that the Euromarkets mobilise funds swiftly against what are popularly thought to be mistaken economic and monetary policies, and to over-react in so doing. But the problem here is probably more due to the speed of modern communications than to a lack of reserve requirements on foreign currency liabilities.

Nicholas Colchester

Syndicated loans cause concern

THE SYNDICATED Eurocurrency loan technique reached its full flowering in the mid-1970s. Since then this form of lending has proved an addictive bloom for many banks and there is probably no other area of world banking—both domestic and international—which attracts such a constant level of criticism and examination.

The reasons for such discussion are not hard to find. Senior central bankers in recent months have voiced their concern over the dangers to banks represented by large-scale international lending at virtually negligible profit margins.

The OECD has just released data showing the extent of last year's pressures on bank's Euromarket lending.

By the end of the year, the average spread paid by the leading industrial (OECD) nations was down to 0.69 per cent over LIBOR, compared with 0.84 in 1977.

More dramatically, the developing world average fell to 1.03 per cent from 1.46 in the same period, while Comecon countries paid 0.73 compared with 1.05 per cent.

The general average retreated to 0.87 per cent from 1.17 per cent.

Banks are clearly now missing the heady days of the mid-1970s, when loan business could be written at up to 2 per cent for a wide range of borrowers.

At what point syndicated lending becomes unprofitable is difficult to assess. It is complicated by the fact that banks will continue to lend to a prime client at a nominal loss, providing a net profit accrues from all the other fees and deposits won from the borrower concerned.

Ratio

A typical U.S. bank, for instance, needs to obtain a loan spread of some 0.5 per cent if it is to produce a miserly 16 per cent return on capital on an average overseas loan. If the required return is raised to 20 per cent, the spread involved rises to 0.75 per cent.

If the earning asset/capital ratio is lengthened to a 35-to-1 ratio, a standard more usual in Continental Europe than the U.S., the spread needed for a 16 per cent return is reduced to 0.4 per cent.

Unhappily, the front-end fee structure on syndicated loans, often a useful device for protecting profitability, has also been under pressure. The average is now heading below the ½ per cent mark, where, on an eight-year loan, it is barely providing an extra 0.1 per cent of spread.

The Euromarkets are haunted by the spectre of Iran, which is delinquent on a fair proportion of its syndicated loans. This has focused attention in recent months among the banks on country risk analysis—in other words the sort of safeguards that should be built into loans as well as the increased economic, financial and political surveillance of a borrower necessary before extending credit.

Such safeguards range from stricter legal documentation in loan agreements, to protect the banks, to the sort of compensation that can be built into the overall charge on the borrower, reflecting the risk element accruing to the bank.

In fact, the cost of risk appears not to be based on any universal standard, and banks tend to approach the question from their own individual standpoints.

However, Henry Wallich, of the U.S. Federal Reserve, suggested last year that the losses on foreign loans had averaged one-third of 1 per cent of the total. This suggests an approximate risk-cost for international lending.

But the banks are still faced with great temptations. Syndicated lending in recent years has represented the most prestigious part of their international business, and the kudos of handling a large deal for a quality borrower are keenly sought.

The "league tables" of Euromarket positions are closely scrutinised, and banks jealously watch each others' progress up or down the management rankings. By last year, syndicated lending had ballooned in volume to some $65bn-$75bn.

But the real impetus to syndicated loans business started in the early 1970s, reflecting the need to finance many developing and advanced countries' balance of payments deficits in the wake of the oil crisis. That financing task was largely left to the international banking system, and an effective method of widely distributing this financing burden among banking institutions became an urgent need.

On many occasions, it was not unusual to see some hundreds of banks, as managers, co-managers and straight sub-participants, brought into the major syndication operations.

It is reckoned the high-water mark was reached in 1976, when more than 500 banks from almost every quarter of the globe participated in a syndication arranged by Lloyds Bank International for Mexico, then rapidly winning back the confidence of international banks as the full scale of its new oil potential became realised.

At the same time, it is probably true that the full implication of the major structural changes forced on the industrial world's commercial banking systems, stemming from developments in the mid-1970s, is still not entirely comprehended.

In the words of one senior Euromarket banker, "The banks were subject to a form of 'forced growth' in the past decade in order to meet the extensive demands on them. For many, the pursuit of international business has become addictive, and brought lasting changes to their organisation."

By the same token, such change within the banks themselves is almost synonymous for alterations in the structure of the world-wide Eurocurrency network itself, which reached a gross size of more than $800bn towards the end of 1978.

Many different economic, monetary and financial market factors are at play. One dominating theme, however, is that the pattern of the sharp, global payments imbalances of the 1970s has altered radically. Many industrial countries, excepting the U.S., have improved their current account deficits.

Sluggish

Similarly, much of the developing world has improved its position, to the extent that non-oil LDCs became a net supplier of funds to the international banks during 1978. The slow growth of Western industrial economies has contributed to the picture, in that many banks turned to overseas business for growth at a time of sluggish domestic demand for credit.

The net result has been a surfeit of international liquidity—a position that an increasing sophisticated community of regular borrowing nations and institutions has not been slow to exploit.

Last year's exceptionally heavy syndicated lending total of some $70bn disguised a massive amount of renegotiated or refinanced credits, as borrowers sought to improve both the interest margins and maturities on their past debt operations. Perhaps as much as a quarter of total volume was attributable to renegotiated loans.

The trend that developed in 1978 and the early part of this year—and which seems to be fundamentally undermining the concept of syndicated lending—is the eagerness of many banks to extend large unilateral credits to borrowers, where normally a syndicated loan would have been arranged.

Bankers claim that it is not unusual to see sums of up to $50m being extended to sovereign borrowers by a single bank, perhaps accompanied by one or two other banks with which it has a close relationship.

Latin America, in particular has been a target for such unilateral lending. The U.S. banks, despite professing their public opposition to low-margin lending, have shared in this development.

Another area has been that of corporate lending, where multinational groups have been offered substantial low-margin loans by single banks.

Bankers suggest that, in the opening months of 1979, banks acting alone, or with a small group of associates, have extended enough private deals to approach the volume in the conventional publicly syndicated Euromarkets.

Thus, the syndicated loan mechanism in a sense is in danger of becoming redundant, except for the exceptionally large "jumbo" credit or for highly-indebted borrowers where a large amount of banks must be canvassed in order to get sufficient support for the loan involved.

At the beginning of this year as banks were beginning to prepare for Euromarket policies for 1979, the views for the lending outlook ranged from the cautiously optimistic to the outright pessimistic.

One gloomy theory is that, such is the competition for assets in the international banking system, that lending spreads will remain extremely low by historic standards. The most favoured group of borrowers will continue to improve their position, and banks will be forced to continue lending at the very edge of profitability—i.e. from ⅜ percentage points upwards.

However, most believe that the Euromarkets will remain sensitive to broad cyclical movements in world economic conditions, and credit costs will respond to these changes.

The current increase in oil prices again threatens to create payments imbalances in much of the industrial and developing world, and will result in increased financing needs in the Euromarkets.

Allied to this, a slowing U.S. economy may rebound on the developing nations, which are dependent on the industrial world for their exports of commodities and metals. This raises the prospect of another source of strong credit demand.

Thirdly, the high absolute level of interest rates on dollars is aggravating debt servicing costs, and a country like Brazil faces finding some billions of dollars over the course of this year if U.S. rates remain high.

A combination of such developments may, during this year, create some tangible resistance among banks to continued pressure to lower their spread levels and lengthen maturities.

But no-one is prepared to forecast the strength or duration of such a shift in terms in favour of the lending banks.

John Evans

Bond market feels the impact of institutions

THE INTERNATIONAL bond markets are in the throes of the same type of discomforts which have bedevilled some other big world securities markets in recent years.

The reason? An increasing domination of the markets by big institutional investors such as insurance companies, pension funds, central banks and the like. In recent years, the small, private investor has been increasingly supplanted by the large institution—and the bond markets are still grappling with the fundamental changes this is bringing, both in primary and secondary operations.

In fact, many bond analysts are drawing a parallel between current developments in bond markets and the type of internal pressures, including commission levels, encountered by the U.S. securities industry in the past decade, stemming from a similar concentration on servicing the requirements of big institutional investors.

The archetypal small investor in the Eurobond market has often been characterised as the "Belgian dentist"—in other words, the private European saver who had represented an important core of the Eurobond market since its establishment in 1963, perhaps accounting for 90 per cent of market absorption at that time.

Some analysts believe that institutional buying overtook retail investors towards the end of 1977, after gaining momentum from 1975 onwards.

Mr. Ian Kerr, of Kidder Peabody, recently said: "I believe that institutional orders for a prime name new bond issue are now probably in the region of 60 per cent of the total."

Three-quarters of all outstanding Eurobonds are still held by private clients, with institutions accounting for the remainder. But this estimate applies to the historic overall ownership of the market, and disguises more recent trends towards institutional activity.

The impact of the institutions is being felt in a variety of areas, from new issuing activity where institutions have almost become a recognised force in the pre-placement of bonds, to secondary trading where bond houses are carefully cultivating their relations with central banks and other large groups.

The presures over the last few months towards currency diversification, prompted by the weakening dollar, have meant that the typical central bank has started to look at a much wider range of currency options in bonds.

Among the active central banks are considered to be those in Venezuela, Brazil, Uruguay, Ecuador, Malaysia, India, Nigeria and Indonesia, as well as the monetary authorities in the Middle East and other areas.

One of the most recent tendencies caused by such institutional penetration in bonds has been the apparent concentration of the primary Eurobond market in the hands of larger banks, with a move away from the traditional practice of employing broadly-based underwriting and selling groups.

Squeezed

The smaller banks participating in large underwriting and selling groups complain that they are being squeezed by the tendency for enlarged management groups to be formed, which themselves handle all underwriting and placement responsibilities.

This newer form of grouping has been used for the syndication and underwriting of several recent dollar issues, including the *Gould, General Telephone* and Electronics, Sears Roebuck, Finland and Pepsico bonds.

This development in primary business, involving the larger banks with extensive placing power, is made possible because of the growth of institutional investment. The smaller banks, with placing ability limited to a relatively small group of investors, become much less important for primary business.

Such larger groups also provide other benefits for lead managers. It allows them to retain a greater proportion of the commission fees and to check on the eventual placement of the bond more closely—potentially helping to reduce the danger of a "dumping" of the issue on secondary markets.

Such overall trends shift the Eurobond along lines already taken by the domestic U.S. bond markets. In fact, another U.S. practice — in secondary trading—is now being fostered *in the Eurobond market.*

Two U.S. brokerage houses are providing what the Eurobond market is terming as the function of a "Broker's broker."

The firm of Purcell Graham, which has recently been joined in Europe by Mabon Nugent, is acting as a pure broker in Eurobonds. Their operations *involve the broker dealing* between the market-makers, matching buyers and sellers. The brokers do not deal with end-investors at any stage.

The Eurobond market is still arguing about the benefits of such a brokerage service.

Those who support the innovation point out that a brokerage system of trading should add to market stability. Under present methods of trading, an attempt by a market-maker to unload a large block of stock can be rapidly heard of throughout the market, sending the price of the stock concerned down.

The more confidential system of brokerage trading means that stock sales and purchases in size can be executed without market disruption. The dealing houses may also be able to concentrate their main efforts more fully on servicing their clients, the investors.

However, those detractors of the brokerage system claim that this method has not added much to the depth of markets in New York, particularly the Yankee bond market. At times of market stress, the Yankee market often rapidly becomes "bid only" or "offered only," making dealing very difficult despite the existence of brokers.

Dictate

What ultimately may determine the success of the brokerage system, and also dictate future secondary trading techniques, is the advent of computerised trading systems in the Eurobond markets, analysts point out.

The Eurex computer-assisted trading and information system is due to come into operation *before the end of this June, and* now has 50 committed subscribers.

The system works by transmitting buy or sell orders to the market-makers in the securities concerned, and then computer-selecting the best deal. This can be cleared for the customer subsequently through either the Cedel or Euroclear bond-clearing systems.

Some major market-makers, such as Credit Suisse First Boston and Bankers Trust are now committed to Eurex, according to the system's officials.

However, opposition to Eurex has become *entrenched, particularly* in the London markets. Many houses complain that a computer system is dehumanised, and removes the direct person-to-person contact that is necessary.

J.E.

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German and Japanese lending challenge

THE YEAR 1978 is now regarded as a potential watershed period for medium-term Eurocurrency lending and bond markets on two important counts.

The American banks tended to be displaced from their dominant market position by the aggressive drive for international loan business from the Japanese banks and, to a lesser extent, banks in Germany, Britain and elsewhere.

Secondly, the chronic weakness of the dollar during most of 1978 created fresh impetus for currency diversification in international capital market transactions.

These developments occurred against a fundamental shift in the direction of the Euromarket borrowing itself. To a large extent, the markets moved away from the task which had dominated much of the 1970s, the financing of balance of deficits among the oil-consuming nations.

Instead, the Third World enjoyed much better access to the markets, and many banks rapidly shifted their priorities to funding the development programmes among the non-industrial nations.

Despite the unsettled currency conditions prevailing for virtually all of 1978, the position of the dollar as the leading currency for international bank credits was not seriously threatened.

According to estimates by the Organisation for Economic Co-operation and Development (OECD), non-dollar internationally syndicated credits completed during 1978 amounted to $2.6bn equivalent, or barely 4 per cent of the total $66bn raised.

The Deutsche-Mark and yen accounted for the major part of this amount. However, a rather greater role was probably taken by non-dollar currencies in connection with the actual utilisation of funds by the borrower. Multi-currency clauses allowing draw-downs in other currencies have become a more usual practice, although the confidentiality usually surrounding such activation of the borrowing makes it difficult to identify exact trends.

However, the international bond markets gave a clear picture of currency diversification, in part due to the investment strategies of such large secondary market participants as Central Banks. The dollar's share of total new international issues was cut to 50 per cent in 1978 versus 65 per cent in 1977, the Deutsche-Mark upped its slice to 40 from 23 per cent.

Rapid

The shift of official central bank reserves into a much wider range of currencies will ultimately be an important determinant of the complexion of the Eurocurrency markets themselves.

The rapid expansion of the Euromarkets in recent years, to a gross total of over $800bn towards the end of 1978, has been in part due to the capital barriers erected by countries like Switzerland and Japan to fend off flows of hot money, and in turn reflects the extent of the U.S. balance of payments deficit.

By end-1978, total international reserves had reached some $280bn, excluding the holdings of Communist countries as well as certain additional OPEC assets.

For medium-term Euro-lending any trend towards greater use of the yen and D-Mark will not exactly parallel the historic experience of the dollar, by far the largest single component of the Eurocurrency interbank market.

For instance, the pool of Euro-yen available outside Japan is estimated at little more than $6bn equivalent. Any large-scale use of the yen in capital market transactions will clearly have to be supplemented by domestic sources of the currency in Japan.

And this begs the old question—to what extent do the Japanese authorities feel that the yen can take on a reserve currency role?

Additionally for many borrowers in the medium-market a switch from the dollar would not necessarily make sense.

Borrowing in strong currencies rather than the dollar may be ultimately more expensive than a conventional dollar operation, despite the generally lower interest rates available on D-marks, Swiss francs and other strong units. Thus, there may be built-in resistance to a switch from the U.S. currency, despite a large supply of other currency alternatives.

The Japanese challenge in the Euromarkets last year has been regarded by many as an important factor in the sharp decline in lending margins. Outraged bankers in Europe were even heard to charge that Japanese banks were directly tapping the country's expanding currency reserves in order to engage in cheap lending operations in dollars, in order to pave the way for increased penetration of Japan's exports in world markets.

This is a clear over-statement. But it is true that the liquidity expansion in the Euromarkets last year stemmed from the excess of dollars available worldwide stemming from the U.S. balance of payments and the simultaneous rush out of the dollar.

In addition, international liquidity is expected to tighten this year because of a reduced level of central bank intervention to support the dollar (although the increased payments deficits anticipated in the wake of new OPEC price increases tend to blur the outlook somewhat).

By the end of 1978, Bank of Tokyo, Industrial Bank of Japan, and the Tokai, Sanwa and Fuji Banks were all well up in the rankings of the top 20 syndicated loan managers.

There are reasonable grounds to expect a moderation in such lending activity, particularly after Japanese Ministry of Finance warnings in late 1978 to the Japanese banks about the pace of their lending. Accurate estimates are not available, but dollar loans by Japanese banks are believed to have doubled on an outstanding basis to nearly $19bn to $20bn in 1978.

The Japanese banks' need to draw in medium-term deposits to support their lending have imposed considerable strains on the international money markets in the last six months.

Under the original official regulations imposed on Japanese banks, the banks were required to match new medium-term lending with deposits which were not due to mature for at least a year and a day. The fact that the banks had to meet the matching requirements only on an occasional annual reporting dates resulted in a scramble for long-term funds last November to December.

This pressure—felt especially in the Eurodollar floating rate certificate of deposit market—has subsequently eased. Additionally, the Japanese authorities, in year-end rulings, changed the regulations in two basic areas in order to prevent similar strains in the future.

The banks must now report their matched positions on a monthly basis, and they have to match at least 60 per cent of the total outstanding medium-term loans, rather than 100 per cent of new lending.

In essence, the Japanese banks, like most of their international counterparts, are faced with the erosion of profitability in low-margin syndicated lending at present rates.

Japanese banks are funding themselves at between a quarter and three-eighths of a point above the six-month Eurodollar interbank rate, to which the rates they lend on syndicated loans are also tied. For prime quality borrowers, the profit margin has virtually disappeared.

The year 1978 also saw the continuation of the expanding role taken by the German banks as significant managers of syndicated loans.

This had been an area of business which they had long resisted because of an aversion towards the use of floating interest rates in long-term financing.

By last year, seven of the ten German banks with international aspirations owed between 25 and 40 per cent of their profits and balance sheet assets to international operations.

Potentially, the German banks could wield more muscle-power than the Japanese. In contrast to banks in the U.S., Japan, Canada and the UK, they are universal banks—combining investment banking business and large-scale commercial banking.

Now that the Bundesbank has assembled more than $40bn of monetary reserves, German banks no longer fear that their central bank can offer lender of last resort facilities only in Deutsche Marks. This, along with the build-up of their U.S. operations, has made them feel much freer to lend dollars.

J.E.

Portfolios move from dollar

THE VOLUME OF new issues the Eurobond market fell by more than $3.4bn last year to $4.1bn, according to recent figures published in the OECD's Financial Market Trends — led by a decline of $4.1bn in the amount of U.S. dollar-denominated issues.

This decline reflected investor's increasing reluctance to acquire bonds denominated in a depreciating currency and to make long-term commitments when three- and six-month Eurodollar rates had risen above long-term yields.

While U.S. officials argue that this diversification of portfolios away from the U.S. dollar is a temporary phenomenon, many analysts would question such a belief. The huge rescue operation announced by President Carter last November was proof enough that foreign holders of dollars were not willing to continue absorbing an ever-larger amount of the currency.

The major block to diversification of portfolios remains the low availability of non-dollar paper, despite the record amount of DM denominated bonds floated last year. Borrowers raised the equivalent of more than $6.6bn in DM bonds last year in the Euro and foreign bond markets combined.

This brought the share of such bonds in the new issue market to 24.3 per cent from 8.4 per cent the year before. At the same time the dollar share in the new issue market fell from 56.9 per cent in 1977 to 39 per cent last year.

Floating Rate Notes accounted for a much greater proportion of new dollar issues last year than ever before. At various times during 1978 the new issue market in dollars effectively dried up except for the odd FRN. Gone were the heady days of 1977 when new issues amounting to an average of $2bn every month were being floated.

Commissions

Bond houses have had to face another development which has not been to their liking: they have had to pass on to investors, at least the institutional ones, an ever-larger proportion of their commissions, usually in the form of selling group discounts.

Tougher conditions last year also showed up the Eurobond market's faults, all the more as nearly half the new dollar issues by international borrowers were floated in the New York bond market in the form of Yankee bonds.

This prompted more investors to look closely at the respective advantages of each market. In cost terms there seems little to choose between London and New York. Legal and printing costs are higher in New York, not to mention the cost and time it can take to register with the Securities and Exchange Commission. In Europe, on the other hand, commissions are higher and costs are cut by the fact that coupons, at least on straight bonds, are payable annually rather than every six months.

The Eurobond market is also less discriminating than the Yankee one. Were ratings to be introduced in Europe as they are in New York, this could change. For the time being non-prime-rate borrowers, whether they are Western companies or Third World entities, have much easier access. The bulk of the $5.54bn worth of bonds raised by the Third World last year, up from 1977's figure of $3.84bn, has come from the Eurobond sector of the international bond market.

Another major difference between the Yankee and Eurobond markets is the manner in which the bonds are placed. Bond houses in Europe have tended to underprice issues and pass on part of the commissions to investors in the form of discounts, in effect offering them cheap bonds.

In the U.S. the commission for selling bonds is fairly rigid and no professional bond dealer in a selling group can re-allow more than 0.25 per cent in discount if selling to another professional dealer. If he is selling to a private investor he must offer the bonds at the full issuing price while the issue is in syndication. These rules ensure genuine placing.

This discipline is enforceable in New York because most of the business is done by only a small number of bond houses, about a dozen. Were such practices as seen in the Eurobond market to emerge they could easily be detected.

In the Eurobond market where the Association of International Bond dealers boasts more than 450 members for 27 countries it is impossible to tell who among the bond houses has genuine retail outlet.

There are a number of exceptions, of course, but there is no way of knowing who is cheating when the commission structure allows bond salesmen to pocket 1½ per cent out of the 2½ per cent overall commission and then re-allow the bonds they have bought to anybody. The result is that quite a few professional "fly by night" operators can make a comfortable living by keeping the ⅜-½ per cent underwriting commission and dump the bonds they have been allocated at a discount.

The result usually is a sharp fall in the price of a given new issue when it starts trading unless the lead manager rushes in to mop up all the bonds hanging over.

These practices are hard to change because major institutional buyers and central banks have come to expect to get their bonds at a big discount. Further many investment bankers point out that the big European commercial banks warehouse bonds when they cannot sell them, even if they have obtained a mandate to arrange a bond in the first place by offering borrowers terms which they know investors would not accept. This underpricing of issues is a recurrent feature of the market.

Retort

Attempts by European banks to introduce such practices in the U.S. met with a sharp retort back in 1977. The question today seems to be: will New York-type practices finally prevail in the Eurobond market?

Guessing the volume of new issues of dollar denominated bonds this year is not easy: although a record amount of new issues was floated last month — at least if compared to recent months — it remains doubtful whether all have been well placed. New issue activity is bound to remain thin as borrowers are unwilling to pay yet higher coupons and dealers cannot possibly carry a reasonable inventory.

The huge amount of funds suggests that if and when investors are convinced interest rates have peaked the policy characteristic of recent months will develop further.

Chasing bonds in the secondary market to lock in higher yields, borrowers may be prepared to pay more for their money, especially if they can call their bonds within two years or less as has been the case with a number of recent issues, and if they were to become convinced that interest rates were going to remain high for some time to come.

The DM sector is also suffering from escalating interest rates today, though the differential in favour of DM paper remains large. But the speculative lustre has been rubbed off the currency for the time being and new issue activity has fallen considerably.

The Swiss Franc market is accommodating a remarkable volume of new issues but it has no desire to challenge the dollar. Until the U.S. currency stabilises and U.S. interest rates stop-climbing or come down, it will be difficult to convince investors not to stay liquid or buy gold.

Francis Ghiles

EUROMARKETS VI

Arbitrage spur to CD issues

THE TWO factors which dominated the international Certificate of Deposit (ICD) markets last year were the relationship between domestic and external dollar interest rates and the Japanese banks' financing needs. A third development worth noting was the proliferation of CD markets in financial centres around the world.

During much of last year foreign exchange market pressures against the dollar meant that the differential between Eurodollar and domestic dollar interest rates was wider than usual. Eurodollar rates are traditionally higher than U.S. domestic dollar rates (to allow for the greater risk of depositing a currency outside the country whose currency it is). However, when the dollar comes under pressure on the foreign exchange markets, the rush to borrow dollars for conversion into other currencies tends to push up external dollar rates to a higher-than-usual margin above domestic rates.

A further factor pushing in the same direction last year was the tendency in international markets to try to anticipate rises in U.S. domestic rates.

The net result of this position for the CD markets was a decline in U.S. bank issues outside the U.S. and a sharp rise in the volume of their issues inside the U.S. Indeed, for a considerable period it was well worth while for the U.S. banks to issue CDs within the U.S. simply for the purpose of buying Eurodollar CDs.

The volume of U.S. bank issues of CDs outstanding in London, which had risen from $11.6bn to $14.0bn in the last quarter of 1977, fell back to a low of $11.3bn in August. Meanwhile, issues of CDs inside the U.S. (which do include foreign bank issues but are obviously mainly by U.S. banks) rose from ... bn to $99.9bn last year.

It is worth noting that the structure of domestic interest rates within the U.S. meant that it was even more worthwhile for U.S. companies to arbitrage money out of the U.S. than it was for banks. Commercial paper rates were standing well below CD rates in the U.S. last year and although dealers say that some U.S. companies felt that such activity is naughty, it may be assumed that outflows of capital from the U.S. through the corporate sector were added to outflows via the U.S. banking sector.

At the end of August the name of the game was changed by the U.S. authorities' removal of reserve requirements on net borrowings by banks in the U.S. from abroad. However, the effect of this move was almost certainly diluted by the big foreign exchange market upheavals in October and in the last half of December.

But it is still too early to see a clear trend here.

Meanwhile, the gathering impact of last August's removal of the regulations M reserve requirements has favoured flows from the external to the domestic dollar markets. The rate structure recently has been that Euro-CD issues have cost U.S. banks more than domestic issues of CDs. The lack of reserve requirements on the Euros more than compensates for this difference.

Moreover, while this has probably promoted inflows via the U.S. banks into the U.S., it is now much less worthwhile for U.S. corporate treasurers to invest proceeds of commercial paper issues abroad.

Japanese

The other big source of issuing activity for CDs worldwide is the Japanese banks. The reason for their activity is twofold. First, under Japanese domestic regulations they are mostly prohibited from issuing floating rate notes or bonds. Second, and also under Japanese regulations, they have been required since mid-1977 to cover their medium-term Eurocurrency lending by taking in medium term deposits (defined as deposits not maturing for at least a year and a day).

The details of the regulations are complicated but the niceties of reporting dates meant a big build up in their issuing activity towards the end of 1978.

They issued CDs heavily in London, New York and Singapore, particularly floating rate CDs.

According to Japanese sources, the volume of CDs issued by Japanese banks and outstanding round the world at the end of each of the last four years was as follows (in $bn):

	Medium-term	Short-term	Total
1975	0.4	0.4	0.8
1976	1.2	0.7	1.9
1977	2.0	2.0	4.0
1978	5.0	3.0	8.0

Outstanding issues by Japanese banks on the London market rose from $2.7bn to $4.8bn last year. Surprisingly, London still accounts for some 60 per cent of total Japanese CD issues, though its position has been eroded a bit in recent years.

The latest Japanese breakdown, showing where the Japanese banks' issues were made, unfortunately dates back to the end of 1976 and this shows London as being responsible for close on three quarters of total issues, with New York accounting for just over 20 per cent and Singapore for only 5 per cent.

The Japanese funding requirements were eased considerably at the end of last year and after some ironing out of anomalies affecting individual banks, issuing activity is expected to be less hectic this year. In addition, medium-term lending by Japanese banks is also expected to run at lower levels than last year, at any rate for the early part of the year and this would lead to lower funding requirements.

One of the major current trends is the proliferation of markets in CDS. For nearly a decade London and New York were the only CD markets in the world and the only two currencies in which CDs were issued were U.S. dollars and sterling.

These two centres remain the cornerstone of the market. Singapore, with $545m worth of total issues outstanding at the last reporting date, is certainly third. But there are also several CD markets in the Middle East—in Kuwaiti dinars in Kuwait and in U.S. dollars in Bahrain. Even Amman, hardly the world's best-known financial centre, is on the CD bandwagon.

However, until now the three biggest gaps—the D-mark, the yen and the Luxembourg franc—remained gaps in the network.

There is no sign that the Bundesbank is thinking of relaxing its relentless opposition to the issue of D-mark CDs. Indeed, one of the more entertaining episodes in the international financial markets last year involved preliminary moves by the New York branch of the German DG-bank to issue D-mark CDs via Salomon Brothers to U.S. investors. The Bundesbank made its opposition manifest and the proposal was dropped with red faces all round.

However, there are moves to fill the other two gaps. Although some final details remain to be settled, the Japanese authorities and banks have agreed that a yen CD market will start in Tokyo in April.

The Japanese authorities feel that they are taking a leap in the dark in that these CDs will be the first forms of investment other than money market deposits where they will not regulate the interest rates. Japanese companies, which are not allowed to place deposits on the money market, will be allowed to buy the CDs.

The issue of yen CDs will be an "in-in" business; only Japanese-resident banks will be allowed to issue them and the proceeds must be lent domestically. Investors must also be domestic (though it is not clear whether foreigners will be able to buy them through a secondary market). Maturities will be allowed to range up to one year but the vast bulk of activity is expected to be under six months. Rates will be close to money market rates.

Among the questions which remain to be settled is whether the Japanese securities companies will be allowed to trade the CDs.

The launching of this market is regarded in many quarters—not only Japanese—as a breakthrough, not least because of the liberalisation of the domestic interest rate structure which it implies. Its progress will certainly be watched very closely.

The launching of a CD market in Luxembourg has been made possible by changes in taxation passed by the Luxembourg Parliament in November. Previously the existence of a stamp duty and a withholding tax had not made it worthwhile for banks to consider CD issues there.

However, the launching of a market is not expected overnight. The matter is currently in the hands of the Luxembourg Banking Association and the Banking Commission. The intention is that before any bank starts issuing CDs, regulations will be devised which ensure an orderly market, with the quality of the issuer being completely maintained.

The preparation of the framework for the market is likely to take most of this year and its launching is not expected before next year. Despite Luxembourg's role as the main centre for Euro-D-mark business, CDs issued in Luxembourg will be denominated only in dollars since the Luxembourg authorities and banks will certainly not flout the Bundesbank's wishes.

London

In London a big talking point among dealers at present is the possibility of being allowed to make markets in CDs issued by banks outside London. Hitherto the Bank of England has only licensed dealers to trade in issues by London banks because it wants to ensure that the quality of paper traded is maintained. Dealers may buy other CDs for their own account, but private deals are all that is allowed and no exemptions from exchange control are made.

The development which has prompted the hope that these regulations might be relaxed was the likelihood of a CD market being opened up in Luxembourg. As Britain is a fellow member of the EEC, dealers feel that the Bank of England might well find it difficult to prohibit London dealers from making a market in CDs issued by banks in Luxembourg. By extension from this, they hope that the trading of CDs issued by banks generally elsewhere would have to be allowed too.

However, it seems that on current thinking the opening up of market-making would not be likely even were Luxembourg to come on stream. There are still plenty of examples of exchange control continuing in operation even vis-a-vis the EEC.

Mary Campbell

Delay

Two other factors probably served to delay the impact of the removal of this regulation. One was the fact that the assessment date on which the reserves would have been payable was almost a month after the announcement of its removal—so that at its earliest it would have taken effect towards the end of September. The other was that during last year U.S. banks generally were very large net lenders to their foreign branches and for most banks these positions would have to be unwound before the removal of the reserve requirements became meaningful.

Nonetheless the abolition of the reserve requirements was certainly one factor—and an increasingly important one—in making fund-raising cheaper for U.S. banks outside rather than inside the U.S. The other two factors involved in pushing up U.S. bank issues of CDs in London late in the year were the regular seasonal one and, dealers say, expectations of rising interest rates.

President Carter's November package to support the dollar did indeed succeed in stabilising the dollar's position on the foreign exchange markets, but at the cost of a commitment to keep U.S. interest rates sufficiently high to continue to attract funds into the currency.

Thus dealers argue that when the dollar again came under pressure in the latter half of December the reaction of U.S. banks was to raise term deposits madly in an effort to get in sufficient funds to cover themselves for the next few months when they expected rates to be pushed up steeply again.

In the event the dollar restabilised, rates fell back quite fast in January and issuing activity by U.S. banks was very quiet until perhaps the last couple of weeks.

Recently, however, it has reportedly picked up again, a particularly notable feature being the fact that U.S. banks are going for longer maturities than usual. Dealers are interpreting this as a sign that top U.S. banks think that once the U.S. authorities have digested the extent to which the official money supply figures have understated the growth of the money supply they will move to push up rates fast and sharply.

Leading centres

DESPITE THE vagaries of sterling and escalating operating costs in the City, London's predominance as the major Eurocurrency centre remains. This achievement is all the more remarkable because the market's gross size has nearly doubled between 1975 and 1978 and new centres have been developed in the Far East, Middle East and Europe.

Although Britain's share of the total Eurocurrency cake has decreased marginally in the past three years, more business is still booked in London than in its three closest rivals — Belgium / Luxembourg, Bahamas/Cayman and France—put together.

The prospects for London maintaining its pre-eminence remain favourable. Last year, for the first time in four years, London's share of the total Eurocurrency market showed a fractional increase. Foreign banks continue to expand their City operations. In particular several Canadian banks, traditionally active participants in the Eurocurrency market, and some Dutch and German banks have development plans.

The fastest-growing European centre is undoubtedly Luxembourg. This reflects both the growing presence of the German banks in the Eurocurrency market, since for tax reasons a large part of their international business is booked in their Luxembourg subsidiaries, and the strength of the Deutsche Mark vis-a-vis the dollar. It is thought that by the end of 1978 more business was done in Belgium and Luxembourg together than in the Bahamas/Cayman, making these two Continental centres second only to London in importance.

EUROMARKET SHARES
(% September 1978)

EUROPEAN CENTRES	72.3
Belg.-Lux.	11.7
France	9.4
W. Germany	2.3
Netherlands	4.6
Switzerland	4.1
UK	33.9
OTHERS	27.7
Bahamas and Caymans	12.4
Bahrain	2.8
Hong Kong	1.6
Panama	1.3
Singapore	3.1

Source: Bankers Trust Co.

The zenith for the Bahamas/Caymans appears to have been in 1976, since when these two Caribbean centres have lost market share. The possibility of establishing an offshore centre in New York, in the same time zone, could further eat into their share. Business could be switched easily to New York, where most of the banks' existing facilities are based.

Growth in the amount of business conducted through Hong Kong has been faster than that in Singapore, although from a smaller base. There are signs that Hong Kong is about to experience a further surge of activity. The lure of lending to China and the continued demand for funds from Far East borrowers bodes well for the colony. Several European and American banks are currently refining plans to boost their presence in Hong Kong. Market sources suggest that the figures for the amount of Eurocurrency business arranged through Hong Kong may be grossly underestimated as a large chunk is actually booked in other centres, such as the New Hebrides.

In the Middle East, Bahrain continues to consolidate the rapid progress made between 1975 and 1977, when the centre's share of the total Eurocurrency market grew sixfold.

It is difficult to estimate the possible impact of establishing an offshore centre in New York on the current pattern of Eurocurrency business though most bankers think London would lose little.

Rosemary Burr

Currency sectors

Deutsche Mark

DEUTSCHE MARK denominated bonds accounted for 26 per cent of international bond issues last year, a record which must be set against the background of an ailing dollar and substantial rises in U.S., and therefore Eurodollar interest rates. Although the Eurocurrency climate has been less kind to the DM sector in recent weeks, the strength of domestic currency has enabled German banks to carve out for themselves a much more important chunk of new issue activity than ever before.

But it was not all plain sailing in the DM sector last year. Regular bouts of investment indigestion occurred, for different reasons, but overall activity both in new and seasoned issues remained at a high level.

Gross new issue volume in the Eurobond markets fell last year essentially because of the sharp decrease in new U.S. dollar-denominated issues. This reduction was a reflection of the increasing reluctance of investors to take on paper in a currency which was depreciating and at a time when the long-term yields obtainable on dollar-denominated bonds were below short-term interest rates.

Investors bought DM bonds because the currency was viewed as strong and access for foreigners easier than was the case with Swiss franc-denominated paper. On more than one occasion the volume of Deutsche Mark issues on offer was greater than those of dollar-denominated.

All DM bonds issued by foreign borrowers raising more than DM 20m are informally regulated by the Foreign Issue Sub-Committee of the German Central Capital Market Committee. The sub-committee, which includes representatives of the principal German issuing banks and a representative of the Bundesbank, meets regularly, usually once a month. Its major concern is to maintain order in the Deutsche-Mark foreign bond market; it approves the volume of new issues and establishes a calendar.

Last May it decided to close the new issue market for a month and when it agreed to reopen it on June 20 it approved a volume of new issues for the following month amounting to only DM 330m.

This figure was less than a third of the monthly average previously. The sub-committee also agreed that it would review the terms of all new issues one day before the day of the issue.

The approved volume of new issues climbed steadily from June onwards until towards the end of the year it topped the DM 1bn mark. However, during the current month new issues are back to their level of early last summer.

The increase in the volume of DM paper was accompanied by one notable development: a greater variety of borrowers were allowed to tap the market, in particular some from less developed countries or "exotic borrowers" as bankers call them.

The reasons for the bouts of indigestion, which occurred regularly, varied. The sheer size of the new issue calendar was sometimes blamed. In one instance Deutsche Bank, which dominates the new issue business, chose an unpropitious moment to start unloading DM500m of Canada bonds which it had taken on to its books in the spring.

A more frequent cause of weakness, which aggravated the problems caused by a heavy new issued volume, related to the coupons offered to the borrowers. Every time the gap between German domestic and foreign bond rates widened, the foreign bond sector suffered. Usually a few days were enongh to put things right.

A stronger, or simply more stable, dollar also had an adverse effect on the DM sector. This was particularly true after the announcement of the Carter package to defend the U.S. currency last autumn. Again it has been the same story throughout most of last February. When the weakness of the DM sector arises out of this German bankers can only sit tight and wait.

Perhaps the most original development in the DM sector last year was the surge in DM-denominated Japanese convertibles. The Japanese were attracted by the low coupons available, but they took a long time to accept the need for coupons on individual convertibles to be increased when they happened to be launched just after an increase in German domestic rates.

These difficulties seem to have led the Japanese into announcing that they intend to float more Swiss franc denominated bonds than DM convertibles during the next quarter.

The meteoric rise of the Japanese yen and the good performance last year of the Tokyo Stock Exchange initially combined to make Japanese convertibles very attractive on a speculative basis. Conditions are different today and far fewer such convertibles are planned for the next quarter.

Francis Ghiles

Swiss franc

THE RECENT weakness of the Swiss franc market emphasises its new attraction for the borrower. Money is very cheap in almost inflation-free Switzerland, while the currency is much more stable than last year and well down from September's giddy heights. In addition, January saw the lifting of the restrictions on non-residents' purchases of Swiss franc securities. The scene was set for a new series of foreign issues.

In fact, even in the uncertain days of 1978 the Swiss capital market had hardly been neglected by outsiders. The nominal value of new bond issues rose to a new record of SwFr 4.43bn, as compared with SwFr 3.7bn in 1977, while private placements remained very high at SwFr 9bn (1977 SwFr 9.3bn). When the volume of bank loans to foreign addresses is added, the total value of foreign borrowings increased to an all-time high of SWFr 21.9bn, the equivalent at current exchange rates of some $13.27bn. Against this must be set a record volume of redemptions, however, which in respect of bonds alone rose in the foreign-borrower sector from SwFr 1.93bn to SwFr 2.98bn.

This year got off to a spectacular start, with some very big transactions indeed. By far the largest was January's issue of rather over SwFr 2bn of "Carter bonds." Well over half of the issue alone seems to have gone to the top three commercial banks, which have been having great difficulty in investing their rapidly growing liquid funds.

The success of the Carter bonds acted as something of a signal to other governments keen on becoming Swiss franc debtors. A new approach was that of the Canadian and Australian authorities, each of which announced a three-prong borrowing made up of a public bond issue, a private placement and a bank loan.

New Zealand has borrowed SwFr 120m at 3½ per cent, Denmark SwFr 100m at 3¾ per cent and the Philippines SwFr 50m at 4½ per cent, all within the first eight weeks.

There is now a certain doubt in the market, however, as to just how much in the way of large-scale governmental issues can be borne, at least at present interest rates. In the so-called "Trudeau Bond" issue, the issuing banks talked the Canadians out of making SwFr 500m of the SwFr 1.5bn total borrowing a public bond offer for fear this might overstrain the market. Instead the ten-year bonds—equipped with the "fine-tuned" coupon of 3¾ per cent—will now amount to only SwFr 300m, the missing SwFr 200m being offset by a corresponding increase to SwFr 700m in the bank loan.

Grave misgivings have been voiced in connection with Japanese plans to float no fewer than 42 medium-term note issues in the private placement sector in the second quarter, most of them convertibles.

It looks very much, too, as though interest levels are on their way up. Whether other industrials will be able to get away with the 3¼ per cent coupon ICI Finance (Nederland) attached to its large SwFr 230m float earlier this year is very doubtful. Even with non-resident investors back on the market, demand is short of dramatic. There is also pressure on the domestic bond market, where some recent borrowers have seen their issues under-subscribed or reduced; interest rates are expected to rise from their mid-fifties levels soon.

The Swiss authorities continue to be very much in favour of foreign borrowing. With the compulsory conversation of proceeds into dollars, the National Bank is able to finance a considerable part of its large-scale interventions on the foreign exchange market to dampen the Swiss franc parity. There is no talk of the monetary authority reverting to its former practice of limiting the amount borrowed by non-residents.

New borrowings will continue, however, to be partially offset by very large redemptions, many of them long before original maturity dates.

Meanwhile, Swiss banks remain active in the "outside" Euro-market, mainly acting through various foreign subsidiaries. They are still less than happy about their opportunities for direct participation though. The Swiss Bank Corporation (SBC) points out the negative effect on Euro-bond trading of the 50 per cent increase in turnover duty as of April 1 last, as a result of which secondary market business largely moved abroad.

John Wicks

Yen

THE CLOUDS which formed over the market for samurai bonds through the latter half of 1978 have yet to clear, and, despite signs of strong interest on the part of foreign borrowers, this year may prove even more difficult than last.

The reason for this uncertainty is that the Japanese Government is planning to issue more than Y15,000bn in bonds to finance its national budget, several trillion yen more than in the fiscal year which ends on March 31 next. This huge official burden for the market will be made even heavier by the prospects of greater demand for funds from the corporate sector if the economy picks up later in the year.

The market was given a psychological boost when the Government finally consented to raising the yields on its long-term (10-year) bonds from 6.1 per cent to 6.5 per cent from last March. Prices have become steadier, but this will have little effect on the samurai market which is the only sector in Japan where pricing reflects directly conditions in the secondary markets. Yields there have risen almost uninterruptedly since last summer. By the time pricing negotiations for issues in March got underway coupons were being set at the highest levels since the summer of 1977.

Last year there were 29 issues of yen bonds by foreigners totalling about Y722bn. This was up sharply from the prior years total of Y296bn but well below initial expectations. The Government has encouraged yen borrowing in order to bring into balance its international payments surpluses.

Following an absence of issuers in January, from February onwards there have been bonds floated by Brazil and the Interamerican Development Bank. By the end of March the U.S. group Sears Roebuck and Co. will become the first private corporation to issue an unsecured samurai bond (Y20bn for a term of five to seven years) and Canada will issue Y30bn in five-year bonds.

In April Denmark plans to issue Y30bn, Austria Y20bn and the Finnish public power corporation Y10bn.

Japanese underwriters report that interest in yen bonds for May issue have surged. There were applications amounting to Y125bn. This will be divided into a Swedish issue of Y20bn and a Norwegian Y40bn five-year issue. Issues by Thailand (Y10bn), Indonesia (Y15bn) and New Zealand (Y40bn) will follow in June.

The outlook for the market conditions is fairly stable for April and May, partly as a result of the raising of Government yields, but underwriters are fearful of what will happen after that when the Government actually begins floating its bonds in earnest. Yields are still tending upward.

The only really new feature in the samurai market this year is the Sears issue. The securities and banking sectors in Japan went through a long debate over whether the custom of requiring bonds to carry bank gurantees should be waived for qualified companies.

The debate ended in February when the Ministry of Finance gave the go-ahead for Sears, clearing the way for Matsushita Electric Industrial to plan for April the first domestic unsecured bond since 1933.

Only one other Japanese company, Toyota Motor, qualifies under the standard being used to rate companies. There are a number of U.S. companies which qualify, but so far only Sears has shown any interest in coming to the Tokyo market.

Richard Hanson

EUROMARKETS VIII

Sterling

SO FAR £295m has been raised through the issue of external sterling bonds. The first such issue was made for Amoco in 1972 but this £10m issue proved the last for some time. It was not until the autumn of 1977 that the required combination for success again appeared; a good enough outlook for sterling to entice the investor and a low enough coupon to interest the borrower.

Indeed the yield level for Eurosterling in 1977 was at or below the 10 per cent mark. It was thus down—just—into an *area where British corporate* treasurers were willing to entertain the idea of fixed rate long-term finance, while the domestic bond market was still well into double figures. External sterling was, moreover, directly convertible into foreign currency. The combination led to keen interest in this new source of finance, and, quite quickly, to a flow of new issues which the market could not absorb.

During this first revival the yield level on Eurosterling was substantially below that on gilts of corresponding maturity. The extreme example was the 15-year issue for the European Investment Bank. This yielded 9.78 per cent—two points below the equivalent gilt. This yield gap was said to be due to the advantage of a bearer bond where the foreign investor benefited from tax exemption on his dividend without having to register his non-resident status with the British authorities. The novelty value was cited as another reason.

The subsequent history of both the primary and secondary markets in Eurosterling bonds has probably removed much of this margin below gilts. The fluctuating fortunes of sterling, together with Britain's interest rate volatility, have continued to make this market an uncomfortable one for both issuer and investor. Bursts of issues have been followed by bouts of indigestion. *Secondary market* prices—while not necessarily underperforming the gilt market—have moved in sudden jerks and have dropped to levels which appear bad in any list of Eurobond prices. At the turn of the year issues floated before the primary market shut in April, 1978 were trading mostly in the low eighties.

It was against this short and unsettled history that the Eurosterling market reopened in March with a £15m issue for Finance for Industry. The coupon was 13 per cent, thus taking the market up to a new yield level and, incidentally, one that was very much in line with prevailing gilt yields.

Unless interest rate perceptions in British industry have changed radically it seems that it will only be borrowers with rather special requirements which will raise long-term money at this rate. FFI is such a case: it makes long-term loans to small companies. The European Investment Bank and the European Coal and Steel Community are other obvious candidates. Nevertheless, at the time of writing it appears that borrowers are holding out for better terms.

Whereas the French authorities have regimented the Eurofranc bond market in the interest of an orderly flow of issues and a lack of disasters, the Bank of England has preserved a neutral attitude to the *Eurosterling equivalent.* The need for clearance or guidance on exchange control issues means that the Bank is informed of impending issues and can take informal action to warn issuing houses of any bunching of issues that might take place.

Nothing that has happened so far in this market has changed the Bank of England's mind on this—there still does not appear to be any thought of introducing a "queuing system" for new issues. The banks do not want such a system, and the Bank of England prefers to let them have their successes and their failures under its watchful eye. *It does insist, however,* through the network of major central banks, that Eurosterling bond issues are lead-managed by a bank authorised to operate in the UK.

N.C.

Guilder

THE EUROGUILDER note market is the cautious but successful Dutch response to the challenge posed by flows of international capital.

The Dutch central bank exercises tight control, but the major issuers say they do not find this irksome. A strong element of self-control is in fact built into the market given the dominating position held by Holland's two largest commercial banks and their merchant banking subsidiaries.

The Nederlandsche Bank gave *its approval for the setting up of* the Euroguilder note market in late 1969 following the revaluation of the Deutsche Mark which diverted capital into the guilder. Worried that this would upset domestic monetary policies and increase inflation the central bank allowed the establishment of a new market, almost completely sealed off from the domestic capital market.

The defensive origins of the Euroguilder note market have made it the most tightly supervised segment of the Eurobond market. The issuing banks, together with the central bank, *maintain strict controls on the* quality of borrowers. The maximum permissible maturity is seven years, repayable in four equal instalments in each of the last four years or as one final capital sum. Five and six-year maturities are also permitted but they are limited to one final capital repayment.

Issues must be lead-managed by one or more Dutch banks with up to two foreign banks *taking part in the management* syndicate. Dutch institutions must outnumber the foreign banks, however. All but three of the 107 outstanding issues were managed by the four main issuing houses.

Notes issued by foreign borrowers may not be sold to Dutch residents in either the primary or secondary market, although notes from Dutch borrowers may be sold to residents. The central bank has become more flexible on the question of size and Norway has issued several Fl 100m bonds. Other borrowers have so far been restricted to Fl 75m.

Euroguilder issues are not underwritten but are sold on a best effort basis. There is no listing on any stock exchange and no prospectus is issued.

This lack of documentation puts a special burden on the issuing banks to establish the quality of the borrower but it also lowers costs. The outlay on an issue is put at Fl 50,000-Fl 75,000 ($25,000-37,500), with a spread of 1½ per cent. Of this 1 per cent goes to members of the placement group and a half per cent to the management group.

The secondary market is maintained by five or six Dutch banks, although foreign banks will occasionally also make a *market in a new issue.* Up-to-date listings of the bonds, their prices and yields are published by the issuing banks.

New issues in 1978 numbered 10 with a total value of Fl 770m ($385m) compared with nine issues the year before worth Fl 670m. Volumes this year will depend on the strength of the guilder and interest rate developments.

If these are favourable and the growing balance of payments deficit raises a large query, then 1979 could be an active year for new issues. With 34 bonds maturing this year, 16 *of them issues repayable in one* final sum, the borrowers may want to renew their Euroguilder portfolios. In one banker's view the queue for domestic notes may prompt the central bank to allow two Euroguilder issues a month instead of the current limit of only one. The central bank is anxious though that the guilder does not become a reserve currency.

Charles Batchelor

French franc

THE FRENCH Treasury decided last September to reopen the French franc sector of the Eurobond market which had been closed for more than two years. *Some French bankers would* have wished this decision had been taken earlier: after the general elections in March, 1978, which confirmed the ruling coalition in power, fears evaporated about the possible effects of a Left-wing victory and what it might entail for the economy and the currency.

The franc's strong performance since then is also explained by other factors. The Prime Minister, M. Raymond Barre, initiated a policy which liberalised prices for the first time in post-war France. He encouraged the restructuring of large sectors of the country's economy, even at the cost of a big rise in the number of unemployed, and he sought to reduce the deficit in France's trade balance.

Nevertheless, when it came to reopening the French franc sector the authorities moved with the utmost caution. Officials pointed out that France had no national ambitions in the Eurofranc market. The Treasury has exerted strict control over the new issue calendar and has laid down that about one new issue *every month is as much as the* market will bear.

The tight rein on the new issue calendar which the Treasury keeps should help to ensure a stable market. This will take time as activity in the secondary market is growing, but is still not very great.

In a recent interview, M. Jean-Yves Haberer, Director of the Treasury, underlined three factors which he felt were important. First of all, this sector should have no adverse effect on the French balance of payments; the amount of the new issues should be of medium size; and, third, that issuers be of the highest quality.

In the event the quality of borrowers has proved to be no problem. Borrowers have been queueing up to float French Franc denominated bonds and, as M. Haberer put it: "We are not supplicants."

The mix of borrowers so far has been very eclectic, including such high-quality names as Unilever, Peugeot-Citroen and Norway. Most issues have performed well in the secondary market which until late *February was friendly.*

The weakness of the franc which developed late that month and the closing of the new issue domestic market requested by the Treasury because of rising interest rates, cast a shadow on the foreign franc sector. An increase in the volume of new issues would appear to be ruled out for the time being. Having taken two years and more to reopen the market, the Treasury has no wish to be forced to close it.

In private, senior civil servants in charge of the markets point to the disaster which befell the Eurosterling sector last winter. They add that they have no wish to preside over a similar course of events in France.

While no one in Paris or outside France expects the French franc sector to grow to the point where it rivals the major areas of activity in the Eurobond markets, the French authorities and bankers feel pleased with the achievement so far.

F.G.

Kuwaiti dinar

THE NEW issue activity in the Kuwaiti dinar bond market is confidently expected to reach KD 200m in 1979. This sector, while it does not pretend to compete with the dollar or Deutsche Mark, has nevertheless witnessed a steady progression since it started in 1974. In that year the new issue volume was KD 75m: by last year it had risen to KD 154m.

Over the years the market has become more sophisticated. The amounts borrowers can raise now average KD 10-12m, double the figure of a few years ago. Maturities have been stretched and more banks are involved in the management groups. The final seal of approval from borrowers came when the City of Oslo floated a KD 10m issue last autumn.

This issue, the first ever for a triple A rated borrower in Kuwaiti dinars, has helped to dispel the suspicion that only borrowers with less than perfect credentials find it necessary to tap this market. True, in 1974 the Oesterreichische Kontrollbank (Austria) did arrange a KD 5m issue but the overwhelming number of borrowers came from the Third World. Further issues for top quality borrowers, and possibly one for a good U.S. corporate name, are expected later this year.

The advantages of raising KD-denominated bonds stem from the stability both of interest rates and the currency, which is tied to an undisclosed basket of currencies in which the dollar is believed to play a major role. Kuwait has a strong vested interest in a stable currency as years of capital surplus have led its Government and private investors to invest heavily overseas.

Since 1974 the KD has appreciated by about 10 per cent against the dollar, a far cry from what has happened to the accepted leading strong currencies. The stability of interest rates in the KD sector is a very attractive feature for borrowers at the moment; a borrower can raise KDs at rates two basis points cheaper than in the dollar sector of the market.

This gap will increase if Eurodollar interest rates continue to move up while those on KD borrowing continue their gentle downward trend.

The Kuwaiti banking community has also been working hard to help widen the market, both in terms of banks involved in launching issues and in trading. Two years ago the Kuwait International Investment Company (KIIC) and the Industrial Bank of Kuwait established the Arab Company for Trading Securities (ACTS) to trade KD bonds.

Last year Kuwait Investment Company set up its own trading operation and KFTCIC (Kuwait Foreign Trading Contracting and Investment Company) is expected to follow soon. Bankers see a more active secondary market as an important development. So far only a handful of banks in London make a market in 32 of the outstanding KD issues.

The number of Western-based banks now beginning to take an interest in KD-denominated bonds would seem to suggest that demand for such paper is increasing. But bankers outside Kuwait remain convinced that most of the bonds are placed with Gulf customers.

If U.S. dollar rates continue to move up, the attraction of KD-denominated paper and the lower coupons it affords to the borrower should increase. With a growing depth to the secondary market and a few well respected names on the new issue side, 1979 could prove to be a breakthrough year.

F.G.

Non-national currencies

THE FOREIGN exchange market upheavals last year provided the conditions for renewed interest in bonds denominated in currency units which are not the currencies of any single country. One bond denominated in the International Monetary Fund's (IMF) monetary unit, the special drawing right (SDR) was launched, while the volume of bond issues denominated in units of account picked up a bit from the very low levels recorded in 1977 and 1978. A second SDR issue was launched last month.

The theory behind borrowing or investing in bonds denominated in non-national currency units is that the risk of loss through the changes in a single currency's value against other currencies is reduced. This argument comes to the fore most at times of currency upheaval. It is worth noting that in addition to the somewhat increased value of issues, more banks are now offering commercial deposit and borrowing facilities denominated in these units.

Other arguments currently being put forward in units' favour are the moves to implement a substitution account at the IMF (whereby countries' dollar-denominated reserve holdings would be substituted by reserve holdings denominated in SDRs) and the last week's implementation of a European Monetary System (EMS) which includes plans for a European Currency Unit. The world, it is argued, is currently *taking big strides towards much* greater use of non-national currency units.

To some extent there is no doubt that the argument holds water. The fact that the Nordic Investment Bank has its capital denominated in SDRs is quoted as a major reason for its decision to make a Eurobond issue denominated in SDRs. Conversely, the central banks seeking to avoid losses in the value of their reserves might be expected to seek out more investments denominated in the special drawing rights in which their reserve holdings are expected to become increasingly denominated.

The basic argument against hoping for the brave new world of non-national currency units is simple—their track record. They have been around a long time—indeed it is arguable that the first ever Eurobond issue was one denominated in units of account in 1961. It is over seven years since the breakdown of the Bretton Woods system. Six years ago *this month* the dollar was effectively floated, for good it seems.

But SDRs and even units of account have played no more than a tiny role in the burgeoning international financial business. Any argument which has been put forward in favour of these units in the past should surely have shown fruit by now. (It is even arguable that a feature of last year's currency upheavals was the relatively small increase in interest in the non-national currency unit option.)

There are various technical reasons for the lack of enthusiasm for these instruments. However, the Euromarkets have proved time and again that where there is a will, a way is usually found and it is difficult not to conclude that their failure to catch on is due to something more basic.

One factor which has probably been significant is that the international investment community generally is the opposite of risk averse when it comes to currencies. A notable feature of every currency crisis is a surge into bonds denominated in the favoured currencies. The same is true of the money markets.

Another and perhaps more threatening argument against these instruments in the long term is that insofar as the idea of *currency diversification* is catching on, it is already being implemented on an individually tailored basis by each trader/borrower/investor.

M.C.

هكذا من الأصل

Debtor nations

E TWO big changes in country debt trends the late 1960s and early 1970s were the ·tch from international agency lending to ımercial bank lending and the multiplica- of the size of country debt in the wake of 1973 oil crisis.

Between them, these two developments ed off the idea of bank lending to countries something to be repaid, and made national t denominated in foreign currencies a per- ıent feature of international and domestic ıncial systems.

The big change of the last couple of years been the growth in significance of the cept of net debt—borrowing less foreign hange reserves. This has been accompanied wider emphasis on external financial vulner- ity instead of on traditional debt service os.

The first big borrower consciously to pt a policy of building up its debt beyond essary levels was probably Brazil. In 1976 Paulo Lira, the head of the central bank, ressed a series of seminars round the world explain that what Brazil considered ortant in debt management policy was not much the total size of the debt but what he ed the coefficient of vulnerability. In English which even the English can lerstand what he was basically saying was t it is no good having marvellous prospects paying off debt from exports in a couple years' time if you have not got the money service existing debt between now and then.

In such a situation a borrower is vulnerable to either a 1974-style crisis in the market or to bankers' lack of faith in export prospects. This might well lead banks to refuse to roll over credit and effectively destroy economic and even social plans for years to come.

At that time Brazil's balance of payments was not good, its capital expenditure programme was ambitious and its debt was already large. Reflecting on all these three factors it was proposing to borrow a great deal more money and its theorising on debt was regarded by hard-headed (though basically positive) bankers with some scepticism. But since then the explosion of international liquidity has moved the markets in Brazil's direction. De facto if not always quite intentionally a large number of countries have adopted Brazil's policy of maintaining a large cushion of cash and increasing their gross debt much faster than their net debt.

Although some spare cash balances have been invested in bonds (especially D-mark, Swiss franc and yen bonds) the vast majority has been redeposited with international banks. The accompanying chart showing how the growth of gross lending outstripped net lending in 1978 gives some indication of the spare cash which has been built up not only by the public sector, but by countries as a whole.

It is worth noting that while the non-oil less developed countries (LDCs) outside Europe were the first group to start pushing up their gross debt faster than their net debt, Eastern Europe is still doing the reverse.

Turkey's crisis, which combined short-term debt structure problems with lack of foreign exchange reserves (as well as basic economic problems), has gone far to emphasise the importance of the maturity structure of debt and cash availability. But generalised adoption of the concepts of net debt and the coefficient of vulnerability still has far to go. Whether through conservatism or long-sighted prudence, the International Monetary Fund (IMF)'s guidelines on foreign borrowing by countries which owe it money habitually limit the rate of increase of *gross* debt.

Although bankers involved in lending to Iran have recently been comforting themselves with the fact that its foreign assets exceeded its foreign debts, the idea of net debt h· never been formalised to the extent of banks' country limits on loans being after allowance for redepositing.

But while the growth of cash balances in the hands of big debtors goes far to eliminate the short-term likelihood of more "Turkeys," it carries with it the seeds of potential longer-term problems. The danger is that governments of cash-rich but debt-ridden countries might be tempted to allow their constituents to spend foreign exchange balances on consumption.

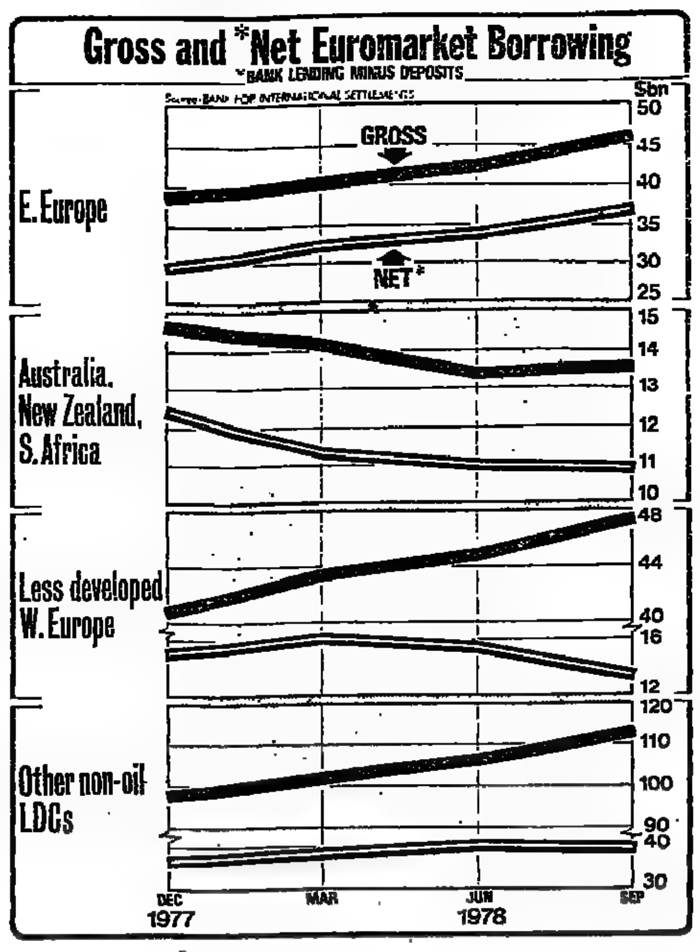
This would be in a situation where the balances' very existence would mean that the country concerned could avoid going to the IMF until the fundamental economic problems needing adjustment were much worse than would have been the case without them. Such situations would be more troublesome than that of Turkey where most of the foreign exchange was borrowed short-term at the same time as, rather than in advance of, being squandered.

Such a crisis would be more difficult to prevent and more difficult to cure than that of Turkey, where the banks really had only their short-term greed to blame for their problems (the front-end fees on their loans were very high). It is to be hoped that given the much-improved information flows now available, such a case will not recur.

The crisis in Iran may point the way to one kind of solution to the new problems. The lesson of Iran in this context is that bankers must be prepared to impose and use clauses allowing them to call a default if there is adverse material change in a country's economic position.

This sounds much tougher than it would be in practice, since individual banks are notoriously reluctant to put countries into default because such action destroys future relationships. But it would at least give the banks some technique for preventing wholesale consumption of foreign exchange reserves in the absence of any cut in debt.

Mary Campbell



Comecon bloc

CENT MONTHS have seen a te of warnings from bodies the Brookings Institute and OECD which have taken a se look at the size and shape Comecon borrowing from the st and been rather worried what they have seen.

The main problem is that a ge chunk of borrowing ered into during the first f of this decade matures this r and next, while the hard rency exports which were posed to finance these re- ments have not materialised the way which the borrowers ped.

Looking further ahead, most the Comecon countries, with exception of the Soviet ion itself, also face the lous problem of how to nce the expected rise in oil ports from OPEC and other d currency sources. The iet Union, which currently ns around 50 per cent of its d currency earnings from sale of oil and gas to the st, is reluctant to increase oil sales to Comecon. This l oblige Comecon to seek reasing amounts of oil from d currency sources or, what ounts to the same thing, pay Soviet Union in hard rency for above-quota oil iveries.

The steady rise in Soviet oil prices to Comecon customers has already led to a major shift in the terms of trade of its Comecon partners. This is in addition to a similar deterioration in the terms of trade vis-a-vis Western markets, where the prolonged recession and the imposition of quotas and other barriers has kept both the price and quantity of Comecon exports below target while the cost of machinery and other imports from the West has continued to rise.

It is on the basis of long-term trends like these that Western research institutions like the Vienna-based Institute of East-West Comparative Economics have prepared forecasts which predict a continuing rise in Comecon indebtedness. But estimates of a total Comecon debt of some $200bn by 1990 tend to be treated sceptically by many Western bankers who point to the efforts currently being made throughout Comecon to cut back on imports from the West and reduce growth targets.

Retrenchment is the key word in several Comecon countries this year. Countries like Poland, Hungary and Czechoslovakia in particular have announced cutbacks in new investment, a slowdown in incomes growth and renewed efforts to boost hard currency exports and reduce imports. The particularly harsh winter in Poland, East Germany and the Soviet Union has also added greatly to their energy problems and badly dislocated industry at the start of the year.

Despite warnings to bankers of the present and projected problems, however, the overall volumes of Comecon debt rose substantially again last year. According to the latest Bank of International Settlements statistics, bank borrowing by East European countries, exclusive of lending by West German banks to East Germany, rose from $30.1bn in September 1977 to $46.1bn by the end of September 1978, while their deposits with Western banks rose from $6bn to $9.4bn. Unofficial estimates by leading international banks indicate that Comecon total gross indebtedness is now approaching $60bn, up from around $53bn at the end of 1978.

Comecon borrowing through the international bond and medium - term Euro - credit markets, however, was relatively restrained last year: the bulk of the new debt was in the form of short term bank lending and export credits. In a period when the total volume of borrowing on these markets rose over 2½ per cent to $104.4bn, figures issued by Morgan Guaranty Trust indicate that Comecon borrowers raised only $3.79bn, just $150m more than the $3.64bn raised in 1977. This was only 3.6 per cent of the total, compared with 4.9 per cent in 1977.

One of the reasons why the total did not rise much above 1977 levels was the sharp drop in borrowing by the Comecon institutions, the International Investment Bank and IBEC. Such borrowing dropped from $1.1bn in 1977 to only $500m last year. This partly reflects the hiatus in new joint Comecon-financed projects now that the Orenburg gas pipeline has come into operation and work is well advanced on the Ust-Ilimsk paper and cellulose plant and other joint ventures.

The Soviet Union in particular took advantage of high liquidity in the Eurodollar market to restructure its debt profile by repaying ahead of schedule some $850m of earlier debt contracted at higher spreads. Hungary also took advantage of the highly liquid market to raise two $300m Eurodollar loans at very fine margins, and most other Comecon borrowers also managed similar loans.

American banks, however, stood aloof and refused to add any further Comecon paper to their portfolios at the spreads of ⅝ per cent above Libor prevailing on the Hungarian and other loans. Several European banks also showed resistance but the slack was taken up by Japanese banks, which are playing an increasing role in Comecon finance generally both through conventional Eurodollar finance and willingness to extend large export credits.

Leading American banks did, however, decide to play a major role in the $500m Eurodollar borrowing sought by Poland, which is by far the most debt-ridden country in Comecon. Higher spreads, hefty commission fees and a commitment to provide extensive information on the state of the economy, the balance of payments and the full debt profile were part of the price for further lending.

Indeed greater disclosure is becoming very much the name of the game in Eastern Europe. Up to now statistics have been patchy to say the least, as Comecon borrowers have taken full advantage of the full range of credit possibilities ranging from government and supplier export credits to international bond issues and Eurocurrency credits.

Anthony Robinson

Mexico

MEXICO HAS been the biggest turn-around situation in the international capital markets in the past couple of years. At the end of 1976 the new administration took charge against a background of a sharply devalued peso and one of the two largest country debts in the Euromarkets. Big private companies were effectively defaulting on their foreign currency commitments while the structure of Mexico's public sector debt was dangerously weighted towards the short term.

Now, hardly two years later, the economy is booming, the current account deficit has been halved, the structure of the public sector's foreign debt has been considerably improved, and perception of Mexican risk has been so transformed that private companies are in the forefront of the foreign borrowing activity.

Whether Mexico, with its political ties with the U.S., would ever have gone the way of Turkey is questionable. But the cause of the transformation in its fortunes was different. Announcement of massive upward revisions of Mexico's oil reserves came in the nick of time—at the end of 1976 and early 1977—and it completely assuaged bankers' mushrooming fears. Moreover, the oil miracle was to come on stream almost immediately: production increased by 24 per cent in 1977, 22 per cent last year while the officially forecast increase for this year is 31 per cent.

Oil exports rose by 115 per cent in 1977, 77 per cent last year and are officially forecast to rise by 102 per cent this year.

At the same time, Mexico's foreign borrowing has been modest by many standards. The International Monetary Fund (IMF) has limited the annual increase in the public sector's foreign debt (including short-term debt) to $3bn, a limit which continues to apply this year. And while Mexico has borrowed several billion dollars a year on top of this to refinance maturing debt, the $3bn limit has more or less stuck.

Thus the public sector debt reached $24.6bn last June and probably around $26bn at the end of last year. The improvement in the maturity structure is illustrated by the fact that whereas at the height of the crisis at the end of 1976 19 per cent of the total was due to be repaid within one year, by last June the short-term proportion had fallen to 12 per cent.

There are no official estimates of the size of the Mexican private sector's foreign debt which was at the forefront of the 1976 problems. The best guess available is an estimate (on the basis of interest payments) by the Association of Mexican Bankers of $6½bn at the end of 1977. There is no question but that the figure has risen sharply in the past nine months.

Not least because of the very heavy investment in the oil development programme which is feeding right through industry, Mexico's real growth rate rose from 2 per cent in 1976 to 2.8 per cent in 1977 and 6 per cent last year. Forecasts for this year are for a further rise, to around 7½ per cent. Even if it wanted to, the domestic capital market could not cope with the finance implied in these rates of growth (and recently, the Mexican government has been draining the domestic capital market in an attempt to cut inflation). Since about the middle of last year private sector Mexican companies have turned to foreign sources of finance in a big way.

M.C.

Debtor nations-(continued)

Nordic countries

THE FOUR Nordic countries—*Denmark, Finland, Norway and* Sweden—steadily increased their use of foreign capital markets between 1974 and 1977 and all four have borrowed heavily in Eurocurrencies. Last year, however, their combined foreign borrowing levelled off, although business was still large enough to attract a constant stream of bankers to the Nordic capitals.

Over the past two years central government borrowing has grown as the hard-pressed domestic industries have curtailed investments and reduced their cash needs. To supplement the European and U.S. markets, Nordic borrowers have been seeking further afield, not only in the Middle East but also in Japan. More business is being done in recycling debt.

Norway has been by far the major borrower of the four, because of the capital needed to develop North Sea oil resources, the decline in shipping income and a government counter-cyclical policy which relied in the last resort on foreign loans. By the end of 1978 the net foreign debt was approaching NKr 100bn ($19.2bn) or close to half GNP. About one-third of the net debt was attributable to the oil sector and 20-25 per cent to shipping.

The growth in oil revenues and the Government economic retrenchment programme put into effect last autumn are two major factors reducing Norwegian foreign borrowing requirements. Using the current account deficit as a measure, the increase in total debt dropped from NKr 26.5bn in 1977 to NKr 12.6bn last year. *Considerable uncertainty* is attached to the current account estimates given in the 1979 national budget. These allowed for an increase to cover increased debt repayments and interest charges but the Bank of Norway currently seems to believe that demand for foreign loans will decline further in 1979 as a result of the fall in investment plans.

The growth in State borrowing has characterised Norwegian operations on foreign money markets over the past three years. The Kingdom of Norway returned to the market in 1975, when it took up loans valued at NKr 4.4bn. Last year it borrowed about NKr 10bn. Over the same period borrowing by the State banks rose from NKr 500m to NKr 4.5bn and in 1978 Statoil, the State oil company, took up NKr 2.3bn in loans.

Central Government borrowing hit a peak of NKr 16.8bn last year but, according to the rather shaky estimates given in the national budget, it should shrink again this year to just under NKr 13bn. One feature of particular interest to foreign bankers is that the Kingdom of Norway has borrowed at five-year terms at fixed interest rates and with no instalments payable before the principal is due. A steadily-growing share of these loans is now entering the recycling stage.

Provisional estimates for Swedish foreign borrowing this year suggest that it should stay around the SKr 10bn ($2.3bn) level, to which it fell last year, when the current account deficit was cut back by SKr 8.5bn to SKr 4bn. However, borrowing by the state will pick up again after a pause of several months, as restricted investment plans and the improvement in domestic liquidity will curtail industry's interest in foreign loans.

Foreign borrowing in 1978 covered the SKr 4bn current account deficit, some SKr 3bn in debt repayments and a SKr 2bn increase in the currency reserves. The remaining SKr 1bn in the estimated total medium and long-term borrowing compensated the short-term capital outflow during the year.

The Swedish State returned to the international capital markets for the first time in over a quarter of a century in 1977, when the National Debt Office took up almost SKr 9bn in foreign loans. Last year it borrowed only about 2bn, all of it taken up in the first half. In the autumn it refinanced the $1bn loan it had arranged in March 1977.

However, the National Debt Office has already started to negotiate new loans this year. It has been looking at plans for a Swiss Francs 200m loan, a $100m bond issue on the Japanese and European markets and a Y20bn issue in Tokyo.

The financial plan accompanying the national budget anticipated a current account deficit of SKr 5bn in 1979, foreign debt repayments only slightly higher than the SKr 3bn of 1978 and a possible increase in the short-term capital outflow which would necessitate more medium and long-term borrowing.

Interest in Denmark centres on the coalition government's efforts to bring down to reasonable proportions the current account deficit which the country has been running for 15 years Last year the deficit was DKr 7.7bn ($1.5bn). The target for this year is DKr 6.5bn, but leading economists have already warned that the amount is likely to be considerably larger. Much depends on the result of the national pay talks between employers and unions which could spark off a political crisis in April.

Denmark's net foreign debt is more than DKr 50bn and the National Bank's concern has been centred on the rapid growth in the interest burden. Net interest payments have grown from DKr 1.9bn in 1976 to DKr 3.1bn in 1977 and about 4bn last year. State borrowing has been increasing over the past two years but the Danish banking system is far more closely integrated with international capital markets than the other Nordic banks.

At the end of 1978 Finland's long-term gross foreign debt was just over FM 35bn ($8.75bn) and showed a net increase of FM 3.5bn during the year. This was about 12 per cent lower than the 1977 increase. Imports of long-term foreign capital rose by over one-third to FM 9.3bn while amortisations doubled to FM 5.8bn. These figures reflect in part a re-organisation of debt through premature repayments replaced by more favourable borrowing.

Finland's foreign debt structure also shows an increase in the state share. Last year public sector foreign borrowing encompassed 16 bond issues amounting to FM 3.5bn, about three times as high as the value of the 1977 bond issues. No fewer than four of the 1978 issues were on the Japanese market, totalling Y50bn.

William Dullforce

Turkey

TURKEY'S DEBT problems have been among the largest ever faced by the world community. Some $6bn, nearly half its total debt, has had to be tidied up, rolled over or totally re-negotiated. That process is now nearly complete. But the problems remain acute. In the medium term Turkey faces the prospect of having to use almost half its export earnings to service its debt—yet already its export earnings are only equivalent to just over its bill for oil imports alone. And in the short term Turkey desperately needs a massive injection of at least $1bn of fresh money—with annual further inflows of at least that figure if growth is not to be cut back to socially unacceptable levels.

Conflict

Turkey's problems pre-date the present government of Mr. Bulent Ecevit. The scale of them reflects the profligacy and ill-advised borrowing record of his predecessor, Mr. Suleyman Demirel. But today the difficulties which Mr. Ecevit has in solving them are in part because of issues of national prestige and in part because of the growing conflict between the West and Turkey over how it should plan its economic development.

Memories of the humiliations inflicted on the Ottoman Empire mean that the Turks have horrors of being subjected to fresh "capitulations." The debate over accepting the policies of austerity demanded by the International Monetary Fund is thus waged in emotive, jingoist terms.

In 1977 Mr. Demirel found it impossible politically to make the devaluation demanded by the IMF. Shortly afterwards he fell. Recently Mr. Ecevit has been having similar difficulties over the same issue. Rather than concentrate his venom on the economic mismanagement of his predecessor he has made it a matter of honour not to be seen to submit to the demands of the West. To back up his arguments he has tried to make use of the strategic importance of a stable Turkey to the Western alliance.

Only after December's developments in Iran and an upsurge in Turkish political killing which led to the declaration of martial law did the West appear to take note. In January the Gaudeloupe summit agreed that Turkey should receive emergency aid. But two months later none of this had materialised.

On the contrary Turkey found that if any aid were to be expected it would have "*unacceptable conditions*," as Mr. Ecevit put it, attached.

The conditions are that Turkey should mend its fences with the IMF. In April 1978 it had agreed a $450m stand-by credit with the Fund but by March this year was still unable to meet the Fund's criteria for it to be allowed to make the drawing due last November. The particular sticking point has been over devaluation.

Further it is now at odds with the Organisation for Economic Cooperation and Development. The Guadeloupe Four asked the OECD to co-ordinate their efforts to help Turkey. This began to look seriously at Turkey's medium-term problems.

Anger

The OECD's latest report on Turkey calls on the country to open itself to foreign investment, tourists and competition. All this would mark the end of the pattern of development which Turkey has chosen—a pattern based on import substitution, self-sufficiency and *high* protectionism for domestic industries. Such recommendations anger the Turks only less than do suggestions that foreign economists should be posted to Ankara to help them with their economic planning.

Sensible though some of the recommendations may sound the Turks are in no mood for compromise. The Government believes that it has been let down on promises made to it and that, even if it were to take the measures demanded, it is not certain that aid would flow.

It thus prefers not to aggravate its existing domestic problems but instead to rally its flagging supporters around the banner of national independence. This is a questionable policy—and doubly so given what happened last year when the banks most exposed in Turkey sought to raise support for a loan to Turkey without demanding that it should reach agreement with the IMF. Before long the banks found that such an approach was not viable. But still the Turkish Government prefers to seek to amend the IMF's rule book rather than fit in with its classical austere prescriptions.

David Tonge

Iran

AFTER BEING virtually incommunicado for months, the new administration at Bank Markazi, the Iranian central bank, has suddenly burst into life with a series of fulsome reassurances for foreign banks and business.

In statements clearly intended to calm foreign apprehension over the future of Iran's debts, the new Governor at the central bank, Dr. Ali Mowlavi, has stated that international creditors of Iran had nothing to worry about.

There would be no nationalisation of Iranian private banks, no elimination of the foreign role in the Iranian banking system and Iran would scrupulously honour *its foreign debt, he said.*

Such statements have gone some way to remove foreign fears, and comments that Iran could prove to be another "Zaire" or "Turkey," with massive and apparently unserviceable foreign debts, are now less often voiced in the international banking community.

Nonetheless, the position regarding Iran's foreign loans and, as important, the future of delayed trade payments and the host of contracts entered into by foreign business remains highly uncertain.

Holdings

Bank Markazi says that its foreign exchange holdings amount to $10.6bn, and that the Iranian Government's foreign assets total $4.4bn. It puts Iran's total foreign debt at $8bn, including both private and Government-backed commitments.

Now the country has resumed oil exports, albeit at a fraction of former levels, foreign bankers are more confident that overseas debt will be honoured. That being said, some of Iran's big state loans in the Eurocurrency market have still not been satisfactorily serviced, as to both principal and interest payments, despite Bank Markazi's recent reassuring remarks. Delays in such servicing in some cases now date back to last December. Bank Markazi itself refers to the loans being "delinquent" rather than in outright default.

In fact some bankers suggest that it cannot be entirely ruled out that a form of rescheduling of Iran's debts will still be requested by Tehran, in order to relieve the burden of paying back loans on the present time schedule. But this now seems a more remote option.

Some other areas give equal cause for more disquiet. For instance, some 150,000 trade transactions at one big Iranian commercial bank alone have been blocked for some months and foreign creditors have still not received a clear idea of when payment can be expected.

Contracts

Foreign companies are also anxious about the future of their various contracts in Iran. The sharp cutback in military expenditures in many cases means that associated civil building contracts (such as the *Bandar Abbas* navy port) are suffering as well.

It seems virtually certain that protracted negotiations and argument will be involved when companies attempt to obtain compensation for cancelled work.

In recent days the central bank has given the go-ahead for foreign banks to return to Tehran, although it is doubted that the number of overseas banks will return to their pre-revolutionary levels.

Some 70 banks had offices in Tehran in early 1978. However, the banks were restricted to representative offices, and were barred from opening branches and soliciting deposits. This means that they will at least avoid the heavy losses suffered by many foreign banks in Beirut at the time of the civil war, when looting meant losses running into some hundreds of millions of dollars.

Foreign banks do have extensive minority equity holdings in Iranian private banks, which suffered badly during the revolution. While outright nationalisation is apparently to be avoided, foreign banks nevertheless feel that a degree of state ownership will prove inevitable.

To reconstruct fully the battered Iranian banking system, Bank Markazi — which has pledged full support for its domestic banks—will probably have to arrange mergers, as well as the acquisition of the weaker banks by the big state-owned entities, such as Bank Melli. In this way, an effective contraction of the Iranian banking system will take place, and foreign representation simultaneously reduced.

J.E.

Brazil

IN 1977, while every other borrower was rushing to take advantage of slack liquidity conditions to renegotiate the terms of earlier, more expensive loans, Brazil cooly ignored the trend and went on paying much higher margins over inter-bank rates than many less prestigious countries. The purpose of this was first to make sure of the funds for its ambitious development programme, second to build up a cushion of foreign exchange reserves, and third to push out the maturity of its foreign debt as far as possible.

Now, with total debt standing at over $40bn and the debt service ratio as traditionally defined at over 60 per cent, it looks at a first glance distinctly vulnerable. But it has also built up a cushion of foreign exchange reserves which is unmatched among non-oil developing countries.

At $12bn odd at the end of last year, its foreign exchange holdings are about the same, for example, as those of Iran before the crisis there broke out. Brazil's foreign exchange reserves are big enough to cover a full year's import bill and have given it the flexibility it wants in its external financial policy.

Last year the policy was changed. Although pushing out maturities remained a high priority the emphasis shifted to cutting down the level of the margins paid to the banks. The ensuing fall in these margins was one of the most spectacular in the history of the market. At the beginning of 1978, the margin payable on state guaranteed syndicated loans was over 2 per cent. Now, Brazilians are negotiating at the level of ⅞ per cent.

The new Brazilian Administration of General Joao Baptista Figueiredo took office after this article went to press. But with Sr. Mario-Henrique Simonsen, the Finance Minister in the previous Administration, remaining in a key position bankers do not expect any sharp changes. The keynote for this year's borrowing plans was set last November when the National Monetary Council said that all future government-guaranteed loans must have a minimum maturity of eight years (instead of five) and that loans would only be exempt from withholding tax if they had a minimum maturity of ten years.

Spree

During 1978, the big borrowing spree had threatened to increase money supply extremely heavily. Indeed it was prevented from doing so only because the government introduced measures freezing conversions of these borrowings into cruzeiros. In November, the Government said that if the new maturity limits did not hold the influx of foreign funds to $300m per month, then it would impose restrictions on the interest rates payable on foreign loans.

In practice, bankers say, the policy has been effective in its aim. It is known that Brazil intends to run down its reserves this year as one way of covering total debt service requirements of approaching $9bn.

However, substantial renegotiation of loans is also expected.

Renegotiation poses problems for the banks in the case of Brazil simply because the country is such a big borrower that a cut of, say, 50 per cent in margins would make an unpleasantly large dent in their *profits.* The two *big cases of* renegotiation so far — Electrobras and Acominas—were therefore fought hard.

In one case, Electrobras, where the borrower threatened to prepay if the margin was not cut substantially, the banks called the borrower's bluff and initially it worked. The loan was not prepaid.

But within the last month the refinancing business has gone ahead apace. In general, Brazil's emphasis on long maturities has enabled the banks to win a lot of ground compared with *normal renegotiation standards* in that the terms of the loans as renegotiated are yielding considerably more than would be the case if they were simply to be repaid and refinanced by new borrowing. Thus where Electrobras is proposing to pay between ⅞ and 1⅛ per cent on a new $360m 12-year loan, the proposed margin for the renegotiation currently stands at 1$\frac{5}{16}$ per cent. The Acominas renegotiation even includes provisions for existing margins to continue until the original loan was due to expire.

M.C.

Philippines

THE PHILIPPINES Government shows increasing signs of being worried at the size of its foreign debt repayments and at taking on new loans. It borrowed heavily after the 1973-74 increase in oil prices, both to cover its mounting oil bill and to sustain the pace of development. Outstanding foreign debt at the end of 1978 stood at $7.8bn.

The borrowing was undertaken on the assumption that export earnings would rise fast —at a rate of 17 per cent a year according to the current five-year plan. But in the first nine months of 1978 export receipts climbed by only 3 per cent (the fault mainly of a decline in sugar exports) while imports rose by 22 per cent. The trade deficit thus more than doubled to $916m. This year the import bill will be further swollen by the rise in oil prices. In consequence the debt servicing ratio has been rising sharply. On the Government's criteria it stood at 17 per cent in 1978, but debt service payments as a proportion of export earnings were over 25 per cent.

The Central Bank's calculations on the basis of medium and long term credits already contracted by the end of 1977 was that repayments would rise to $1bn in 1979 and $1bn in 1980 before declining to $819m in 1981. By comparison export earnings in 1977 were $3.2bn.

Last year new commercial borrowings abroad under an IMF-imposed ceiling reached $950m. This year the Government has set a ceiling margin[illegible] of $1bn, but it is no longer subject to the strict monitoring of the IMF's extended fund facility programme which expired in November. While the new ceiling suggests that the Central Bank is still being cautious, there are signs that the Government is making more use of leasings and export finance which is not necessarily covered by the ceiling. Philippine Airlines has recently purchaser aircraft through leasing finance arrangements.

Of the $1bn that the public or private sector might borrow this year in fixed term credits, $250m was raised last month through a syndicate led by Manufacturers Hanover. The loan is over 10 years at ⅞ per cent above Libor. Morgan Guaranty are the lead manager in a further loan for $150m now being syndicated for the Central Bank and Chemical Bank are arranging a further $100m—both on similar terms.

The Central Bank has also renegotiated a $525m stand by credit under which $325m that had been available up to 1981 will now be available up to 1985.

While President Marcos's recent warnings about protectionism in the West and rising oil prices *reflect continuing* worry about the trade account, on the plus side is that the foreign exchange reserves in September still stood at a high $1.9bn. The Central Bank also has a reputation for cautious management of the country's overseas borrowing programme which has boosted its credit rating.

David Housego

هكذا من الأصل

EUROMARKETS XI

Britain

…ITAIN HAS undertaken a …jor restructuring of its …rseas official debts over the … 18 months, following the …rp revival of foreign and …rket confidence in Britain …ch began in 1977. This has …olved both the repayment of …ge amounts of debt and new …rowing.

…he restructuring was made …essary by the vast scale of …rowing from the Euro…rkets, from other govern…nts (including Iran) and …m the International Mone…y Fund undertaken between … early 1970s and early 1977 … finance the large, continuing …rent account deficits and big …ital outflows.

…he result was that after …ling had been stabilised in … 1976 and early 1977 Britain … faced with debt repayments … $20bn by the end of 1984, …h $11.2bn concentrated in …9-81.

…n face of this repayment …np in the early 1980s, the …ernment had a potentially …ward series of economic …ices. To repay all the debt from current account surpluses would imply very tight domestic policies, while merely refinancing it with borrowings from the surplus countries would ignore market realities.

Indeed, the Bank of England argued that while there was scope for new borrowing it was necessary to provide for a net reduction in debt on a scale that was appreciable in relation to maturing obligations, partly to retain market confidence. This made it desirable for the current account to remain in surplus.

In the event, while the current account surplus has not been nearly as substantial as the Bank at least had hoped, the Government's policy has been to combine net repayment of debt year by year with new borrowing to spread the maturities. This has been met from the official reserves which, even now, are ample at $20bn following revaluation of the gold content.

This policy was inaugurated in the autumn of 1977; last year the UK repaid $4.7bn of foreign currency borrowings, of which all but $1bn was well in advance of the due dates. Roughly $2bn of these early repayments formed part of the UK's borrowings from the IMF, but most of the rest were loans raised from the market by nationalised industries and other public corporations under the exchange cover scheme.

In 1978, new borrowing of about $2.5bn was arranged, as part of a programme of continuing fund-raising, some came from various EEC institutions, such as the Coal and Steel Community and the European Investment Bank, but the UK also tapped the Euromarkets with, for example, a $500m loan from a syndicate of Japanese banks for the Electricity Council. And the terms of the Government's own $1.5bn loan raised in early 1977 were changed with a lengthening of the maturity dates.

But possibly the most interesting move was announced in April: that the UK was entering the Yankee bond market in New York by raising $350m via seven- and 15-year bonds. This was disclosed by Mr. Denis Healey, the Chancellor, during his Budget speech when he said with understandable but perhaps over-eager pride that the UK had a triple A rating.

The issue was very successful and was followed by fund-raising in the U.S. commercial paper market by British Gas and the Post Office.

The result was that by the end of last year debts due to be repaid in 1979-81 had been cut from $11.2bn to $8.9bn and in 1982-84 from $8.3bn to $7.2bn. But outstanding debt in dollar terms has fallen by less than $2½bn because the decline in the value of the dollar has increased the dollar value of debt in other currencies.

The official view is that most of the strategic changes in reducing the repayment hump have now been achieved and only further occasional repayments before the due dates will be required, partly depending on relative interest rates. This, of course, is in addition to the $2.5bn which anyway matures during 1979.

The main emphasis is likely to be on new borrowing and the aim is to tap as wide a range of markets as possible, and to raise money with sufficiently long maturities.

Peter Riddell

France

…ANCE RAISED $3.1bn in …dicated credits and inter…ional bonds last year, a …rked decrease on the figure … 1977, $4.2bn. This year's …re could be even lower if the …dgeted current account sur…s turns out to be true.

…The features of French …rowing did not markedly …nge last year: getting the …t terms available remains the …lmark of the French …asury's approach to the mar… to the chagrin of many …kers but the obvious benefit … French borrowers.

…Bankers continue to complain …t the "forteresse de la Rue … Rivoli" as the all-powerful …nistry of the Economy is …own in Paris, behaves like a …mroller, while the handful … senior Treasury officials in …arge of the debt and borrow… insist there is nothing …ister in their making sure …t France gets the best terms …sible.

…Rather than the pursuit of a …h volume of fresh money, … next few months could wit…s some tough renegotiations … existing loans as the …asury attempts to stretch …turities and bring down …eads and commissions fur…r. In this respect French …cials will not be behaving …erently from a string of …cials in financial ministries …oss the industrial and less …eloped world.

…French borrowers have not …nged in recent months: the …dful of state companies such … EDF, Gaz de France and CNT …ain the flag bearers of the …publique Française, which …s not borrow in its own …me. (It did do so once, back in 1974, when in the wake of the increase in oil prices it arranged a $1.5bn credit line which in the event was never drawn upon.)

The same state companies—EDF and CNT being the most well known duet—continue to compete in raising funds. Breaking the ⅝ barrier for spreads was one of the great achievements of the year. Breaking the ⅝ per cent barrier has just been achieved by CNT, in yet another world premiere. This had only been done in private deals up to now but not in public ones. Prestige certainly comes in here, but bankers will understandably frown when such a breach is made publicly as they can expect a string of other borrowers, not least from the UK, to point out that their credentials are quite as impeccable as any France can produce.

Despite its continuing borrowing programme, France remains among western industrial countries one of the least indebted, both domestically and internationally.

Underlying the push to maintain the excellent credit rating of the Republic are deeper reasons: first, no one has forgotten the "poor relation" status France had acquired by the end of the Fourth Republic in 1958.

More practically French state company treasurers are wont to point out that heavy repayments will have to be made in the years to come and more money raised. The needs of the likes of EDF in the next few years are very considerable, so it is only natural that the Treasury should strive, maybe somewhat aggressively, to maintain France's status as a borrower.

EDF could have broken the ½ per cent spread barrier when it raised a $600m back-up line for U.S. commercial paper last October, but it refrained from doing so. A number of German and Japanese banks had indicated they would not wish to participate in a loan to EDF which included such a low spread. EDF and the lead manager of the facility, Crédit Lyonnais, were both keen to ensure that a good number of prime international banks be included in the management group, if only because EDF will remain a heavy borrower in the years to come. Both decided it would be wrong to force the market.

Earlier in the year Gaz de France had become the first borrower in the current cycle to raise a loan, also in the form of a back up line for an issue of commercial paper in the U.S., which included a tranche bearing a spread of ⅝ per cent.

F.G.

Canada

…NADIAN ECONOMISTS …pect their country to run a …rrent account deficit of … 4.7bn (about US$3.9bn) this …ar which will have to be …sed by foreign borrowing.

The deficit forecast is margin…y better than that for 1978 …cause of an improving mer…andise account. The tourist …count, once a cause of con…lerable concern, seems to be …ming under control as a result … devaluation of the …nadian dollar since 1976. …owever, net tourist spending …st year still did widen from …1.6bn in 1977 to C$1.7bn in …78.

There is nothing unusual …out Canada importing long-…rm capital to balance its …ternal accounts: over the …ars the current deficit to be …vered has not varied greatly …en expressed as a proportion … GNP. In spite of a certain …ount of political argument, …onomists foresee no difficulty … borrowing the requisite …ounts this year.

Last year Canadian long-term …rrowing abroad other than the …rrowing of the federal Gov…nment in Ottawa came to …out C$3.5bn. This year a some…hat higher amount is likely to …sult. The borrowings in 1978 …ere done as follows: provincial …overnments and utilities C$ …9bn; municipalities C$50m; …rporate bodies C$1.55bn.

For balance of payments rea…ons the federal Government …self borrowed C$5.6bn abroad, …cluding drawings of C$3bn on …nes of credit provided by …anadian and foreign bank con…ortia. This year's amount might …ell be higher but the volatility … short-term capital flows …akes it difficult to forecast …ow much will be needed. Last …ear there was a net outflow of …$3bn under this heading, even …hough the Canadian monetary …uthorities have kept adminis…ered interest rates above those …revailing in the U.S.

Since about the turn of the …ear the Bank of Canada has …lso been pushing up long-term …nterest rates in defence of the …ollar by becoming a net seller …f Canada bonds. That could en…ourage provincial and corporate treasurers to switch some of their borrowing from domestic to foreign sources. The spread may be large enough to make that appear sound, but the exchanges rate risk may prove a deterrent.

Not that there is much nervousness about the exchange rate for the coming year. But the long-term outlook could be chancy, especially with the battle over the future of Quebec still to be decided. The Government is obviously pretty determined to defend the exchange rate, at any rate until the election due this year is out of the way. But it would hardly be wise to over-borrow since a very much stronger Canadian dollar would embarrass Canadian manufacturing industry.

There are some signs that the currency has gained underlying strength. At any rate it staged a rally early in March when it appeared that the Canadian Government might permit increasing exports of natural gas to the U.S. from next year onwards. It is by no means certain that these exports will be permitted, but if they are they could add C$500m to next year's export receipts and a good deal more after 1981.

This year the Canadian Government has arranged to borrow Y100bn (about U.S.$500m) in Japan, Y30bn of it by bond issue, Y35bn by a 10-year loan at 7.1 per cent and another Y35bn by 20-year loan at 7.5 per cent. Borrowing of SwFr 1.5bn (about U.S.$900m) have been arranged in Switzerland this year, one third by private placement at 3 per cent, one third by bond issue and one third by bank loan.

The U.S.$1.5bn from these borrowings can be added to the official monetary reserves available for the defence of the Canadian dollar. On February 28 last they stood at U.S.$4.1bn. In addition U.S.$1.3bn had not been drawn from a U.S.$3bn line of credit arranged with a group of U.S. and other foreign banks, and U.S.$1.4bn was still undrawn from a U.S.$2.5bn line arranged with Canadian banks.

CANADA'S EXTERNAL PAYMENTS

(Selected estimates—C$bn)

	1978	1979
Merchandise trade	+3.5	+4.0
Invisibles	−8.7	−8.7
Current account	−5.3	−4.7
Long-term capital	+4.5	n.a.
Short-term capital	−3.0	n.a.

W. L. Luetkens

Peru

PERU, BOTH economically and politically, has stood up to the intense strains of the past year much better than anyone had a right to hope.

Last year the government of Gen. Francisco Morales Bermudez was unable to meet its debt obligations. Foreign suppliers and lenders were undergoing long waits for their money and the possibility of very deep recession looked certain to provoke intense political problems as the International Monetary Fund demanded severe deflation as a price for its help.

The past few months have indeed been traumatic. Those sectors of the country's labour force sufficiently organised to make themselves heard, such as the miners, have demonstrated and gone on strike. The non-organised majority has just had to sit through the recession comfortless. But the political balance has not been overthrown so far and the elected assembly, almost miraculously, is still at work on a new constitution under which the military will surrender power to a civilian government.

Economically, the situation has been changed by the IMF's decision to continue lending to Peru. This fact left the door open for a renegotiation of Peru's foreign commitments and the reduction of the country's ratio of debt service to export earnings from near 60 per cent to about 30 per cent.

The severe limitation of imports coupled with better prices for copper and a big effort to promote Peru's non-traditional exports, such as textiles, produced a big turnround in the trade balance. From a deficit of $438m in 1977 the balance jumped back into the black last year to the extent of $200m. The exchange rate has exploded upwards to reach more than 200 Sol to the dollar.

Sr. Javier Silva Ruete, the Finance Minister, is now beginning a campaign to attract new foreign investment to Peru, reversing the policies that the military have followed since they took power in late 1968.

The outlook for Peru, therefore, should be one of continued economic improvement, simply because things could hardly have got any worse. According to the latest figures from the Banco Continental, sales of cement and structural steel are no more than 90 per cent and 81 per cent respectively of the 1977 level, figures which testify to the severe blows which have been delivered to the building industry in particular.

With a continuation of the rise in the copper price, the big oil discovery announced last month and a sustained brake on imports, the Peruvians will be unlucky to do any worse on their trade balance this year than they did last. Peru is now a small net exporter of crude oil and fully shielded from the oil price rises which are hitting Central America, Brazil and other Latin American countries so hard.

Peru's prospects are brighter than they have been for some time and this should be reflected in a trek back to Lima by many of the bankers who got such a fright last year.

Hugh O'Shaughnessy

Nigeria

AFTER SIGNING two agreements within the space of a year for Euroloans worth $1.75bn, Nigeria now seems unlikely to try to tap the Eurocurrency market for further "jumbo" loans in the immediate future.

Faced with a highly ambitious development plan, mounting balance of payments difficulties and a very low debt servicing ratio, Nigeria turned to the Eurocurrency market and signed for a $1bn Eurocurrency loan in January last year.

An attempt to raise an additional $1bn on the Euromarket ran into a morass of administrative, legal and other complications. Finally, Nigeria late last year reached agreement on a $750m Eurocredit (fully drawn down in January) and followed this up last month with a loan package amounting to $1.126bn with a group of German and Austrian banks for the financing of a specific steel project.

In advance of the 1979-80 Nigeria budget, due at the beginning of April, official sources in Lagos are reluctant to spell out details of Nigeria's latest borrowing plans, but they suggest that the country has no immediate plans for any more big Euromarket loans, while not ruling out the possibility of some specific project borrowings.

The problems and attendant publicity surrounding the $750m "jumbo" seems likely to be one contributory factor making Nigeria reluctant to tap the market again.

Another is the improvement in the country's balance of payments position in recent months, thanks in part to some stringent controls on imports and in part to a rapid rise in Nigeria's oil production, now running at record level of 2.4m barrels a day. Officials expect oil sector earnings (which account for over 90 per cent of export receipts) to amount to at least Naira 7.5bn in calender 1979, compared to N5.6bn last year and N6.3bn in 1977.

It will take some time for the effects of higher oil sector earnings to work through the economy and in the absence of up-to-date balance of payments figures it is difficult to assess the extent of Nigeria's short-term financial needs. But the position certainly seems substantially more manageable than six months ago. A run on the country's foreign exchange reserves was halted in the latter half of last year and should now be being reversed.

Another factor making the Government reluctant to enter the Eurocurrency market again is political. Nigeria's military administration is scheduled to hand over power to a civilian Government on October 1 next and does not want to build up further substantial international debts before then. Already some civilian politicians have criticised the present Government's international borrowing programme and the military will be keen to minimise any further controversy on this score.

Martin Dickson

North Africa

THE THREE North African countries—Algeria, Morocco and Tunisia — are well known customers of the international banks, the first being by a long stretch the most important raiser of funds. In 1977 Morocco had been a more active borrower than its eastern neighbour but last year the situation was reversed.

Algeria increased it borrowing more than threefold in 1978 and emerged for the first time since 1973 as the largest borrower within the Organisation of Petroleum Exporting Countries (OPEC). It raised $3.2bn in the financial markets, of which bonds accounted for $721m. To this overall figure should be added the large sums raised in the form of exim credits from most of the major industrial countries.

Algeria borrowed more than its immediate needs dictated last year. The explanation would appear to be twofold. First, it was able to get much finer terms than hitherto on the syndicated credits it arranged. Secondly, some in Algiers fear a tightening of liquidity in the financial markets later this year. Sonatrach alone has funding requirements which are very heavy this year ($3.2bn) and thus has to ensure it has access to fresh money.

The better reception afforded to Algeria in the market is partly explained by the report which the State oil company Sonatrach, working with Bechtel Corporation, a major U.S. contractor in the gas liquefaction industry, made public last spring. It included detailed production and export projections of Algeria's oil, liquefied natural gas and other derived products up to the year 2005. Financial projections, including debt figures and anticipated income, were also included. The psychological impact of this document was considerable; all the more since Algeria has not been noted in the recent past as providing easy access to information.

Even bankers who harboured few fears about the ambitions of the country's economic planners were relieved to be given such data. The timing was important as the gas liquefaction programme will absorb considerable amounts of capital in the next few years: income will build up but with a two- or three-year time lag.

Another event which cheered bankers and companies alike was the opening of the first major liquefying natural gas plant in Arzew, known as LNG1, a year ago. Building had long been plagued with difficulties and delays. The plant has been operating without major snags since and the progress on the building of the LNG2 plant is proceeding smoothly. The LNG3 plant has recently been commissioned, to be financed by a $1bn package put together essentially by French banks and Coface.

This large package opened the 1979 calendar of Algerian borrowing, which can be expected to top the $3bn mark if exim-type credits are included. While banks are willing to finance Sonatrach projects some have expressed reticence about financing such social developments as house-building: others may go ahead, however, especially if an organisation like Coface confirms that it is willing to provide a guarantee to the banks.

The importance of the lead exim-type organisations can provide for major credits lies in the reassurance they can give to banks, they will offer the longer maturity fixed interest rate money while the banks will provide the shorter maturity floating rate of interest money. This formula has been used successfully with Canadian banks, French banks and Italian banks. It is likely to be repeated.

Algeria's bankers and the country's central bank have also over the past 18 months taken a series of measures which ensure a more orderly approach to the market. Nearly two years ago a committee was set up in Algiers with a brief to ensure that the numerous approaches made to international banks by Algerian State companies were better co-ordinated. In particular Algerian borrowers were not to approach foreign banks, even on a tentative basis, without the prior knowledge and approval of one of the four banks in Algiers, part of whose job it is to maintain contact with foreign banks.

Another measure which helped the Algerians improve the terms on which they were able to borrow was the reduction of the volume of "a forfeit" paper issued by Algerian borrowers. The higher rates paid to bankers who bought such paper as compared with the return available to them if they participated in a syndicated credit seems to have kept the spreads on the loans at a higher level than they need have been.

By comparison, the amounts raised by the other two North African countries remained modest. Morocco reduced its borrowing; it arranged $605m worth of credits as compared with $779m the year before and continued to raise bonds denominated in various currencies. The major Moroccan borrowers, the Kingdom, the phosphate company, Office Cherifien des Phosphates both succeeded in improving the terms on which they could raise money.

Morocco will probably prove a reluctant borrower this year. The austerity measures announced last year are reducing the volume of imports while exports are being strongly encouraged. The economic development plan was also scrapped and replaced with a three-year contingency plan.

Until the country's balance of payments deficit has been further reduced, Morocco will not want to come to the market too often.

Tunisia continued to borrow small amounts and maintained its status as a borrower. As with the other two countries it succeeded in improving the terms on which it could raise money.

F.G.

Indonesia

INDONESIA was the first major country to send quivers down Euromarket bankers' spines when the state oil company Pertamina all but defaulted in 1975. By now it has become virtually a model borrower. Like all other countries, Indonesia still has its contretemps with international bankers—the on-off financing for Garuda airlines' *purchase of Boeing aircraft last* year was troublesome. But in all fundamental respects it is regarded as sound.

The basic balance of payments position is that despite its oil exports, the country habitually runs a small current account deficit each year (projected to reach the historically large figure of $1.2bn during the current 1978-79 fiscal year). Capital imports usually turn the current account deficit into a small overall surplus.

Although Indonesia has long since paid off the International Monetary Fund, the World Bank's influence continues and government policy is to keep a tight rein on the debt service ratio. With $1.4bn of total debt service in 1977-78, its debt service ratio was around 18 per cent. The policy is that debt service is not to go above 20 per cent of net earnings from merchandise exports.

By June last year the overall size of the public sector's (including Pertamina's) medium and long-term debt was nearly $12bn, up from $11.4bn in December, 1977, and $10bn a year earlier still. On top of this the country may be assumed to have some short-term and private sector debt. Though no estimates of either are available, to judge from the Bank for International Settlements' figures on bank lending to all entities in Indonesia for all maturities, the total amounts involved here cannot be large by comparison with the $12bn figure above. The majority of Indonesia's debt is owed to other governments on a bilateral basis.

Against this, foreign exchange reserves were $2.6bn at the end of last year.

The major developments last year in Indonesia's relationship with the international banking community were restructuring of the debt the Government had taken over from Pertamina and the beginning of the financing of the new five-year plan.

The restructuring, again arranged by Morgan Guaranty, cut the cost and pushed out the maturity of the original funding operation. It totalled $575m and paid margins over inter-bank rates of 1¾ per cent for a final seven-year maturity.

Like other borrowers, Indonesia profited from the general fall in margins and lengthening of maturities on Euromarket syndicated loans last year. By the last quarter it was negotiating a $300m ten-year loan paying margins of ¾ and ⅞ per cent, for five years. Lead managers here were Manufacturers Hanover and Toronto Dominion.

Currently in the course of being finalised is financing for the next stage of the Krakatau steel plant. One of the biggest casualties of the Pertamina crisis, this steel project is now being put together again. The German group Ferrostaal is the main contractor for the latest stage—a hot-steel rolling mill. *It involves about DM 1bn worth* of foreign financing altogether. This financing, being handled by Deutsche Bank, includes a commercial credit of about DM 330m with a large element of Hermes-guaranteed credit too.

Negotiations on the next and most profitable stage of Krakatau, which could involve a joint venture between the government and other interests, are expected to start in earnest in the middle of this year.

Other major projects which may need financing in the next few years include development of the Badak and Arun natural gas fields (at Badak a letter of intent was signed in the middle of last year with a group of Japanese contractors who would be responsible for the $500m-plus financing); the $700m Dumai project for a plant to convert Indonesia's heavy oil into something usable; and the $1bn-plus Bukit Afan project to rehabilitate and expand a state-owned coal mine. This project, which is not quite at the tendering stage, is currently being reviewed by the World Bank.

Also being studied by the World Bank is the government's intention, recently announced in its new five-year plan, to vastly increase the transmigration programme under which it helps finance families to move from over-crowded Java to other islands. If it materialises, the government could well look for foreign commercial bank funds as well as World Bank loans for this.

M.C.

Argentina

ARGENTINA HAS made a remarkable financial recovery since the military regime of Gen. Jorge Videla seized power from the government of Sra. Maria Estela Peron three years ago this month.

Foreign exchange reserves, which had almost run out just before the bloodless coup, have now rocketed to a record total of over $6bn. The current account balance of payments has returned to healthy surplus, chalking up a plus of $2.1bn last year. And foreign banks, which were wary in the extreme of lending to the previous regime, have been practically queuing up to supply funds, especially for Argentina's ambitious long-term hydro-electricity and infrastructure projects.

Last year the country raised $1.46bn in syndicated credits, up from $849m in 1977 and a mere $72m in the chaotic year of 1975. State-backed borrowers are now raising 10 to 12-year money at spreads of ⅞ to ¾ per cent over Libor, the finest terms in Latin America after Venezuela and Colombia—and a far cry from the 1¾ per cent over four years which was the margin on the $1bn restructuring loan negotiated in 1976 (and subsequently repaid ahead of schedule last year).

Yet all is not completely well with the country's economic fortunes. The principal worry of foreign bankers is that inflation is still not down to anything like acceptable levels. The rises in prices was put officially last year at 169.8 per cent, 9 per cent more than in 1977. This was a sharp set-back for Sr. Jose Martinez de Hoz, the Economy Minister, who had confidently forecast that diligent pruning of the budget deficit would reduce inflation to double figures by the end of 1978.

Though Sr. Martinez de Hoz, the mastermind of the country's economic revival, has succeeded in bringing the rate of price rises down from the annual figure of some 350 per cent before the military takeover, there is a feeling among foreign bankers that the Government's anti-inflation policies have now somewhat run out of steam. The surge in prices last year was partly caused by the country's very success in attracting large inflows from abroad. Consequently, there has been some confusion over the motive for the central bank's recent lifting of restrictions on foreign borrowing which were implemented *last year in a bid* to slow down foreign inflows, particularly in the private sector.

On the political front, although the Government has succeeded in bring back a large measure of normality to the country's affairs by practically wiping out the guerrilla movement, many overseas bankers feel that Argentina's longer term chances of stability would be improved if the junta made plans for a gradual return to civilian rule.

All the same, there is no *doubt that Argentina is now* a welcome name on the Euromarket. Banco de la Nacion, the State-owned commercial bank, has just completed a $300m Eurocredit and a $50m floating rate note issue, and the *joint Argentine - Paraguayan* concern Yacyreta Binacional is now attracting considerable bidding competition for its plan to raise a $200m Euroloan to help finance the two countries' $7bn hydroelectric project on the Parana River.

David Marsh

Italy

DESPITE ITALY'S current protracted Government crisis, the lira has so far not come under any significant pressure on foreign exchange markets and the country's general economic outlook, in the short term at least, appears buoyant.

Italy has just returned a balance of payments surplus in 1978 of some L6,900bn and is expected to report a surplus in its trade account last year for the first time since the war. Official foreign currency reserves exceeded $10bn at the end of December against around only $1bn at the beginning of 1976, when the authorities were forced to close down temporarily the foreign exchange market in another political crisis.

In the face of the recovery of the country's payments position and the steady increase of net official reserves standing at the end of last year at $25.2bn, the country has effectively been paying back before schedule some of its official *borrowing* repayments to the International Monetary Fund and the European Community. Indeed, the medium- and long-term debt position of the Bank of Italy has dropped from $5.5bn at the beginning of last year to $1.5bn at the end of last December.

The current level of the official foreign currency reserves reflects to a large extent expanded borrowing by the Italian banking system during the last two years. The banking system's net short-term indebtedness was less than $500m two years ago and rose to $7bn at the end of last July, although it has subsequently slightly dropped to $5.6bn at the end of last December.

At the same time, State sector and private groups have also been increasingly turning in the last two years to medium-term Eurocurrency borrowings which are currently estimated to total some $9bn. If this figure is added, Italy's overall foreign indebtedness, including short-term borrowing by the banking system and official borrowings with the IMF and the EEC, now stands at about $16bn.

Indeed, after an absence of *some years, Italy returned two* years ago to the Euromarkets as the so-called "Italian risk" disappeared. The Italian State medium-term credit institute, Istituto Mobiliare Italiano (IMI), effectively led the way *back with a $200m issue,* although the one and three-eighths margin over LIBOR on the issue still reflected some measure of concern over the Italian risk.

Subsequently, however, an increasing number of Italian State agencies and private groups have negotiated more favourable rates. Last October, for example, Ferrovie dello Stato, the Italian State Railways, negotiated a $200m seven-year loan with an initial spread of five-eighths per cent over LIBOR for the first two years.

This is one of the lowest spreads obtained by an Italian official borrower since 1973, indicating both a borrower's market and a progressive reassessment of the Italian risk compared with other international borrowers of equivalent standing. For the remaining five years of the loan, the spread rises to three-quarters per cent over LIBOR.

Another example is the $100m eight-year loan obtained by the mechanical engineering and electronic group Olivetti last November. Interest on the loan was set at three-quarters per cent over LIBOR for the first four years and seven-eighths per cent for the last four.

Apart from the reassessment of the Italian risk, the country's increased activity in the Euromarkets also reflects the markets' high liquidity. None the less, Italy is enjoying improved international confidence.

In large measure, the main purpose of Italian Euromarket fundings are either for balance sheet financing to help companies consolidate their financial position, for export financing, *or for specific investment* projects, particularly for overseas ventures like the State hydrocarbon agency ENI's participation in the construction of a natural gas pipeline linking Algeria to Italy.

But *despite the significant* improvement of Italy's payments situation, the continuing stability of the lira, signs of a recovery in industrial production after a two-year recession, concern is growing in the *country as inflation threatens to* rise again. At the same time there are still no signs that the trade unions will moderate wage claims in the course of the current round of renegotiations of national labour contracts involving *some* 10m *union* members.

And in the present climate of political uncertainty, with the increasing risk of an early general election, the outgoing Government's attempts to *introduce a wide-ranging three-year* economic recovery plan to tackle the fundamental structural weaknesses of the Italian Economic system is now effectively in cold storage.

Paul Betts

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'TER THE BENNETT REPORT

BY STEWART DALBY, IN BELFAST

The hiatus in Ulster

RUC and soldiers search passers-by for arms early on in the tr oubles. Right: Sir Kenneth Newman, chief constable of the RUC

. ROY MASON, MP, the retary of State for Northern and, is renowned in Ulster going back to his Barnsley stituency every weekend, if can make it. He goes to ch base, have a few drinks 1 his constituents in the pubs clubs and generally unwind. 'he tough ex-miner must e been greatly relieved to back this past weekend. n by the unusually demand- standards of his job as retary of State, he had gone ough what for him and other officials has been a rough k. A combination of events ing the week emphasised ; while the nature of the 'le in Northern Ireland may nge it is now more of a paganda war than strictly of security. The underlying olem of two intractably irised and conflicting cul- es just goes on and on.

irst, a part time police geon, Dr. Robert Irwin, went television and said that in past three years he had e across cases of ill-treat- it among 150 prisoners he seen who had been rrogated at the Castle- gh holding centre. There e journalists in Northern and who maintained that Dr. in had been saying this kind thing for over a year, but refused to be identified ore. This time he went public immediately caused a furore. lis allegations resulted in the g-awaited Bennett Report on ce interrogation procedures ng brought forward and re- sed towards the end of the k. The report was the result an Amnesty International estigation into allegations police brutality. As ected, it said that on basis of medical evidence n four independent sources— just on the basis of what Dr. in told the committee—there 'e been cases of police mis- itment of suspects.

Ir. Mason immediately epted two key recommendations of the report—those calling for closed circuit television in interrogation rooms, and visits by a solicitor within 48 hours of a detainee being held.

Hardly had he spoken the words in Parliament, however, than an associated scandal burst around him. Newspaper reports variously claimed that the Northern Ireland Office and/or the Royal Ulster Constabulary had been trying to smear Dr. Irwin. The rumours were that Dr. Irwin was bitter about the RUC for failing to capture and prosecute those responsible for raping his wife in 1977.

The week also saw the first ever visit by journalists to H-Block at the Maze Prison, where 375 prisoners, mostly Provisional IRA, have been waging a campaign of soiling and damaging their cells to focus attention on their demands to be treated as "political prisoners." The grim news pictures and reports of naked prisoners and unwashed cells put over the message of squalid deprivation and abuse even though the prisoners' misfortunes are self inflicted.

Finally in the U.S. Senator Edward Kennedy and Congressman "Tip" O'Neill in their traditional St. Patrick's Day address on Saturday, condemned violence but launched a stinging attack on Britain's abuse of civil rights.

Mr. Mason refused to accept that there has been police brutality by making a fine distinction between allegations and evidence. All there has been so far, he said, are allegations.

Supporters of Mr. Mason say it is quite possible there is brutality in most police forces and that Northern Ireland is a particularly violent place. Violence tends to breed violence, they say, and therefore the odds are that there would be more mistreatment in Northern Ireland than, for example, in London.

There is also no question that the provisional IRA and other paramilitary groups have in the guise of political idealism, consistently committed acts against the army, police and civilian crimes which are repugnant to any civilised society.

Mr. Mason's supporters, when accused of violating human rights, also argue that with a few exceptions—such as the Emergency Powers Act, the widespread application of the Prevention of Terrorism Act and the use of trial without jury—the basic laws and ground rules which govern the Province are those which govern mainland Britain: namely those of Western democracy with all kinds of checks and safeguards against the abuse of human rights.

Damage done

At the moment the uproar is about the way those principles are being flouted. The outrage may subside but the damage already done is that by leaving themselves open to criticism for using dubious methods, the Government and its agencies have hamstrung themselves, because of the amount of sympathy that has been generated for the Provisional IRA and other violent groups. This is particularly true in the U.S. As Americans are not close to the problem, analysts say Americans tend to regard the violence in Northern Ireland in the context of "heavy-handed Britain" trying to crush "genuine nationalistic aspirations."

To counter these accusations the Bennett report is just the latest in a long line of enquiries. The Cameron Report in the late 1960s looked at discrimination, the Widgery Report examined "Bloody Sunday" and the Compton Report looked at allegations of brutality on the day internment was introduced.

There have been other reports, many of which have been forgotten. Few of them said anything which surprised anyone who knew anything about Northern Ireland. Similarly with Bennett, most informed observers, not just the partisan commentators, believe that prisoners are mistreated. They reason that because the RUC is largely Protestant some of its members would be inclined to abuse Catholic prisoners, particularly those suspected to be members of the IRA. In spite of the shocked reactions of Mr. Mason and Sir Kenneth Newman, the chief constable, at suggestions that smear campaigns and black propaganda take place, and their promises that any such allegations will be thoroughly investigated, most observers believe that such things do go on. Reaction from the politicians has been predictably along party lines: cautious welcome from the Unionists, claims of a white-wash from the Social Democratic and Labour Party.

Bennett might lead to a tightening up of interrogation procedures. It might lead to prosecutions. So far not one policeman has been convicted of mistreating prisoners although dozens of policemen have been charged. The Bennett report could also conceivably lead to the resignation of the chief constable.

But there is a feeling that all this is incidental. The real impact of Bennett is that it has underscored once again, that after 10 years of troubles during which 2,000 people have been killed, more than 20,000 injured and millions of pounds of damage done, Northern Ireland is no nearer a solution to its problems than it was when the Civil Rights movement began and violence first erupted.

As most observers see it, the mistreatment of prisoners, the use of black propaganda, the virtual state of siege the province still lives under are symptoms of the basic problem.

The Catholics have legitimate civil rights grievances and Protestants have deep seated fears about becoming a minority in an island of 4.5m people. Most of the 500,000 Catholics want to belong to one united country, Ireland, while the majority of 1m Protestants want to remain part of the UK.

Many observers who know the Province well increasingly believe that the central problem can only be tackled by ending the political stalemate. Dealing with the symptoms is merely lopping off one tentacle of an octopus.

There is less violence in Northern Ireland now than there was. There are no longer the street battles, the "no-go" areas, the incessant sectarian murders. With the Protestant para-military groups quiescent for the moment, the struggle is basically between the IRA and the army and police. There is direct rule, therefore there are 13,500 troops still in Ulster. There is a vacuum in local government because there is nothing between the all powerful Secretary of State and the virtually impotent 26 District Councils. This means the Province is largely ungoverned.

Perhaps most damaging of all, there has been virtually no political movement since the collapse of the power-sharing Executive in 1974.

The largest moderate Catholic party, the SDLP, is particularly bitter about the Labour Government. As one senior member said: "I find it astonishing that Northern Ireland did not get onto the agenda of the last Labour Party annual conference. You may find it strange coming from me, but I think the Conservatives under Edward Heath and Willie Whitelaw did more for this place than all the Labour ministers put together. Harold Wilson just was not interested."

Mr. Mason claims there is no popular groundswell against direct rule and many people agree this is true. But all the evidence suggests that in the political vacuum, the polarisation of the two religious communities is getting worse.

This can readily be seen in the attitudes of the major political parties. The SDLP was once convinced that power-sharing as in the 1974 Executive was the only solution to Ulster. Now, fearful that its support will drain away to the more violent Catholic groups like the Provisional IRA, the SDLP is increasingly looking south to Dublin and to an all-Irish solution.

In the Irish Republic both the ruling Fianna Fail Party of Mr. Jack Lynch and the main opposition party, Fine Gael under Mr. Garrett Fitzgerald, have recently talked about solutions for Northern Ireland. The Fine Gael has called for some kind of federation. Fianna Fail for which eventual reunification is the ultimate truth has suggested setting up joint structures by which is meant an all-Ireland Court, an all-Ireland Green Pound and closer cross-border co-operation. Underpinning both parties' plans is the growing prosperity of the Republic. Ireland has now virtually caught up with the North in terms of per capita income and could easily surpass it within the next decade as its economy expands under the EEC's Common Agricultural Policy.

As many Ulster Unionists see it, this approach conveniently glosses over the fact that Protestants and Catholics are not separated only by differences in their economic status.

The gulf between even the moderates thus grows wider.

With the hiatus stretching at least until the end of the year the security situation could easily deteriorate.

The police and army now admit that violence by the Provisionals has been reduced to a minimum. But the findings of the Bennett Report will make life more difficult for the police. The Provisionals could easily escalate their activities to the kidnapping of important persons and bigger bomb targets.

The worst fear of all at the Northern Ireland Office is that greater finance from the U.S. will help the Provisionals to do this.

Greater Provo activity could easily lead to a Protestant paramilitary backlash and the Province would be back to the virtual civil war of seven years ago. It is a dismal scenario but not an impossible one. The only way to stave it off, many observers feel, is for the next Government, whichever it is, to get the province's politics moving again and to do it quickly.

Letters to the Editor

)uty level)n tobacco ınd alcohol

m the Chairman, acco Advisory Council

ir,—You reported (March that the National Consumer ncil, in its Budget sub- sion to the Chancellor, is ommending that excise duties tobacco and alcohol should increased to help pay for ıer personal tax allowances: council's justification for 1 a move is based on the view : cigarettes are relatively ıp compared with a few years and excise duties are at his- cally low levels in real terms. 'he facts of the case do not port this opinion. Since uary 1974 the retail price ex for cigarettes has con- uously run ahead of the ıeral RPI and now stands at compared with 208 (1.1.74= ı). The tax element on arettes currently represents average of 70 per cent of the al retail price and this is as h a proportion as at any e in the past fifteen years.

The concept of increasing in- ect taxes to enable direct ation to be reduced may have ch to commend it; however, tobacco industry clearly can- accept that it would be fair single out its products for sher treatment than any er product or service. Merely pick on isolated product ups like tobacco and alcohol uld require punitive levels of ation to produce a sum of ney that could have any sig- icant effect on levels of per- nal tax allowances.

Furthermore Government has knowledged the dangers of nitive tax levels in its White per "Prevention and Health," nnd. 7047, of December 1977. this it gives its view that uch (punitive) taxation can regressive and hit hardest ose who can least afford the ıst. Thus if in response to in- 'eased taxation, poor people ıend more on drink and bacco instead of reducing con- ımption of these items, they ıay have less money to spend ı food, with possible damaging fects on their health." Surely ıis view constitutes a better alanced stance than that taken y the National Consumer 'ouncil; the 20 million or so J.K. consumers of tobacco roducts would doubtless agree.

Sir) James Wilson,
'obacco Advisory Council,
ilen House,
'lag Place, SW1.

Teachers' pay

'rom the General Secretary, Vational Union of Teachers

Sir,—I have refrained for some 'ime from commenting on the 'eports of your education corre- spondent, particularly on 'eachers' pay. The latest example (March 15), however, cannot go unchallenged. The leader of the management panel did reaffirm his panel's commit- ment to the pay level estab- lished by Houghton in 1974 at the last meeting of the Burn- ham Committee on March 7.

Your correspondent has his own views on "comparability" for teachers, but I fear that they are not relevant to the facts. Whether he likes it or not, Houghton linked teachers' pay to the Department of Employment's salaries index for non-manual workers in general. This, said Houghton, was the only fair comparison for teachers; the link was accepted by local authorities and the Government which also accepted its implications for future expenditure.

For the past year a working party of the Burnham Committee comprising teachers, employers and Government representatives has been charting the erosion of Houghton salaries. A report has been prepared to which all parties are signatories. It shows that, on one calculation, the *shortfall in teachers'* pay since Houghton will be 36.5 per cent at March 31 and that, using other calculations, the shortfall never falls below 31.1 per cent. A considerable erosion, even if one takes the most modest estimates.

I think that your education correspondent understands that teachers' conditions of service are not negotiated in the Burnham Committee: therefore, his speculation about possible trade-offs is, to put it politely, inappropriate. He is seriously wrong in suggesting that certain statements made by a few local authorities last year changed anything in relation to teachers' conditions. There is, and has always been, no doubt that activities undertaken by teachers in their own time are voluntary. Teachers have not changed their professional com*mitment* in any sense: in fact, in view of the strains and squeezes on education in the past few years, they have probably been doing more in their own time than in any previous period. Research last year by the National Foundation for Educational Research shows that two-fifths of the average secondary teacher's working day take place in his own time!

The last meeting of the Burnham Committee decided to explore whether the new Standing Commission on comparability has any relevance to teachers' pay negotiations and the next meeting on *March 21* will discuss the matter further. If both sides do ultimately wish to refer to the Commission, they will do so in the knowledge that a year-long comparability study of teachers' pay has been completed, that both employers and teachers acknowledge the considerable erosion in pay that has occurred and that both sides want to restore pay levels established for teachers as a result of independent inquiry.

Fred Jarvis,
National Union of Teachers,
Hamilton House,
Mabledon Place, WC1.

Flat fare system

From the Chief Public Relations Officer, London Transport

Sir,—The answer to Judy Basset (March 14) is that London Transport has given a great deal of thought to the introduction of a more efficient system of fare collection on the Underground.

As a result, Greater London Council is now considering proposals for an automatic system designed to eliminate fraud by making it impossible for anybody to get on to the Underground without a ticket. Manned barriers would be replaced by gates which would automatically "read" and check the validity of tickets at entry and exit points.

Flat-fare systems, as has been proved by those undertakings abroad who operate them, are not the obvious answer; flat fares require a vast increase in public subsidies in order to keep the fare at a reasonable level. This applies in Paris—mentioned by Miss Bassett—even though the flat fare covers an area only about the size of that bounded by our Circle Line; graduated fares are charged on new lines which go further out into the Paris suburbs.

F. E. Wilkins,
London Transport,
55, Broadway, SW1.

Airport needed in Scotland

From the Secretary, Edinburgh Runway Action Group

Sir,—The response of recent correspondents on the subject of a third London airport is of course predictable. No one wants such an airport anywhere near them because of the noise and pollution.

But why does your aerospace correspondent, Michael Donne (March 3) debate the issue of a third London airport in isolation from the national context? Surely the policy of regionalisation discussed in the Department of Trade's Airports Policy document a year ago *should* not be discounted. It is an obvious solution to the chronic overcrowding of airport facilities in the south-east.

The Board of Trade produced a report as long ago as 1969 in which it showed that a Central Scotland Airport would be coping with a passenger throughput of about 12m by 1985. It would replace the present ridiculously uneconomic situation in central Scotland where Edinburgh, Glasgow and Prestwick airports compete for passengers while, at the same time, producing noise and pollution problems far in excess of those likely to be associated with a CSA.

It is time to attempt a radical but effective reorganisation of the UK's airports system that takes proper account of regional needs and environmental issues.

Peter R. Cooke,
26, Cramond Gardens,
Edinburgh.

The scarce pilots

From the Immediate Past Master, Guild of Air Pilots and Air Navigators

Sir,—It was with interest that I read the article by Michael Donne (March 13) on scarce pilots. The guild has been conscious of this impending shortage for a long time. A committee enquired into entry into the profession and its recommendations have since been passed to the appropriate quarters. The guild hopes to be able to render assistance not only in the provision of the numbers of pilots required but above all in maintenance of air safety.

A source of pilot supply which you do not mention is the recruitment of overseas pilots and the validation, where necessary, of their commercial licences for UK operation. Many such potential recruits have recently trained in this country, as the article states, at the expense of their respective Governments, at a time when there was no sponsored training for aspiring British pilots in the UK.

A further source of loss of numbers in the near future could be a drain of qualified pilots to overseas airlines—in search of enhanced salaries. The cost of living is escalating more rapidly in this country than in most of our European neighbours—and taxation abroad is often more benign for professional people. Cannot we encourage our Government to put money into a disciplined and growing aviation industry which cannot be termed a "lame duck." It will be a sad day if we design the supersonics of the future and can neither produce them nor the pilots to fly them.

Captain A. Caesar-Gordon, DFC, DFM.
PO Box 13, Air Terminal,
Buckingham Palace Road, SW1.

Not wanted in Cublington

From the Vice-Chairman, Friends of the Vale of Aylesbury.

Sir,—Now that formal study of the options discussed for a third London airport has begun (March 3), it would perhaps be appropriate to recall that the protest of the people of Buckinghamshire was so strong in the early 1970s as to cause the Government of the day to abandon the Cublington solution at that time. Let us asure all concerned that environmental considerations and the indignation of the people are just as cogent today as they were at that time, and will remain so at least into the 1990s.

Nicholas Murray.
The Old Vicarage,
Aston Abbotts,
Near Cublington,
Buckinghamshire.

Squaring one's beliefs

From a Vice-Chairman, Greater London Young Conservatives.

Sir,—John Nott MP, in his speech (March 15) criticising Britain's high contribution to the EEC budget and calling for a complete overhaul of the common agricultural policy has highlighted the dilemma of those Conservatives who believe in less rather than more state interference in the economy and believe in cheap food produced efficiently rather than dear food, however produced.

Squaring one's beliefs in the free market with, to quote Mr. Nott, "the inherently socialist manner" in which the EEC moneys are dispersed is proving impossible. Squaring the interests of all the British people with the excessively high price of Common Market food and one's own conscience with the destruction of tons of food is also proving impossible. Perhaps the European Movement can help.

Charles Smedley.
32 Smith Square,
SW1.

New subsidiary for BBC

BBC ENTERPRISES, the BBC's commercial sales operation, is to become a wholly-owned subsidiary. The change should take effect from April 1.

The headquarters of the company will remain Villiers House, The Broadway, Ealing, but it is expected to move to a site near the Television Centre in 1982.

More powers for police urged

A NEW Highway Code-type booklet to help educate the public about their rights and police power is suggested today by the Magistrates' Association in written evidence to the Royal Commission on Criminal Procedure.

The magistrates also recommend that suspects should not be held for more than 36 hours without authority from the courts, and they call for simpler bail procedures and an alteration to "unfair" arrangements for costs.

At the same time, they argue for more powers for police, saying powers of arrest should be simplified and powers of search strengthened.

Criminal procedure, to a large extent, are denied powers to the police as a matter of principle, the evidence reads, and "has covertly relied for its operation on ignorance of rights bluff and some degree of hypocrisy."

Lonrho hits out at Arab Board move and share dealings

BY ARNOLD KRANSDORFF

Lonrho, the trading and industrial conglomerate, has hit out strongly against attempts by Sheikh Nasser Sabah Al Ahmed, who controls a major shareholding, to replace two Lonrho directors with his own representatives.

The Sheikh and another Arab, Dr. Khalil Osman—both former directors of Lonrho—are also criticised for their dealings in Lonrho shares; the company claims that since October 1974, the dealing activities of Sheikh Nasser and his associates, which allegedly included purchases of upwards of 6m shares and sales of more than 4m, "detrimentally affected the share price of Lonrho."

In a circular, Lonrho asks its shareholders to reject the Sheik's proposals in a forthcoming poll. Under the proposals, Mr. Philip Tarsh and Mr. Paul Spicer would be displaced by Mr. Thomas Ferguson and Mr. Euan Macdonald, both executives in Sheikh Nasser's Kuwaiti and Sharjah companies.

Lonrho says that the proposed nominee replacements are both "insufficiently experienced." The representation of Sheikh Nasser's interests—amounting to 21 per cent of Lonrho's capital through Gulf Fisheries, a Kuwaiti company—does not by itself justify the election, Lonrho states.

The Lonrho directors say they would not welcome a return to the Board of Sheikh Nasser or another of his associates.

"Sheikh Nasser is a large shareholder of Lonrho but he did have two seats on the Board for nearly two years, during which time he made no contribution to our company, although he presumably found the shareholding useful," says the circular.

Lonrho claims that while on the Board, Sheikh Nasser, Dr. Khalil Osman and their associated companies, "traded heavily in Lonrho shares." It says that Gulf International (UK)—said to be 55 per cent owned by Sheikh Nasser's father and the remaining 45 per cent by Dr. Khalil—"dealt very actively in Lonrho shares as from December 1975."

Replying to Sheikh Nasser's representative who, at the annual meeting on March 8 stated that Lonrho's share price over the past five years or so had not been impressive, Lonrho says that the history of the Kuwaiti share involvement, and the benefits derived, show that Sheikh Nasser has little cause for complaint.

After adjustments for rights and bonus issues, the average cost of the shares allotted by Lonrho to Sheikh Nasser and his associates is reduced to 66.3p.

Lonrho notes that at December 31, 1974, United Fisheries, which had then lost the sterling equivalent of £10.8m out of its original capital of £14.76m, revalued its investment in 8.6m Lonrho shares (including 8m shares allotted to Sheikh Nasser at 76.25p each on December 11, 1974, and subsequently renounced in favour of United Fisheires) to show a surplus of £6.1m.

This revaluation, it says, increased the value of United Fisheries' investment in Lonrho from £6.5m to £12.6m—an increase of more than 90 per cent in excess of cost just 20 days after the allotment by Lonrho.

According to Lonrho, Sheikh Nasser, who held 35 per cent of United Fisheries, substantially benefited from the increase in the share price of that company during 1976.

"Thus the book cost of the investment in the Lonrho shares to Sheikh Nasser was greatly inflated by this private transaction between Gulf Fisheries and United Fisheries, which enabled United Fisheries to make a profit of over 100 per cent on its Lonrho investment by selling Lonrho at 180p per share when the middle market quotation was 128p. Such an operation would be unheard of in the UK."

Lonrho concludes:

- Contrary to all expectations, the association with Sheikh Nasser and his companies did not help Lonrho to develop any new business in the Middle East.
- The duty of directors is to represent impartially the best interests of the company, not of any particular shareholder.
- By their share dealings, Sheikh Nasser and his associates demonstrated their disregard for accepted City practices.
- The election of Sheikh Nasser's nominees to the Board could not have any beneficial effect on the price of Lonrho's shares.

Hoover sales improvement: confident of better profits

RECENT IMPROVEMENTS in sales levels at Hoover, in both home and export markets, will continue in 1979, says Mr. M. R. Rawson, chairman, in his annual review, and he is sure of better profit levels.

As reported on March 2 sales volume of this domestic electrical appliance manufacturer, increased in 1978 but severe pressure on margins persisted. Taxable profits dropped from £12.24m to £5.3m on turnover of £212.1m against £191m. Also the total net dividend is cut from 14.83p to 12p.

Mr. Rawson says the company will benefit from the examination of all aspects of the business made during the year, and measures now being effected will enhance profit margins, even though some reorganisation costs will be incurred.

In the UK a sales drive to increase product spread through independent outlets and to increase availability of group products through a wider range of retailers is proceeding well, he adds.

With difficult economic environment in most overseas markets, and industry sales of domestic appliances generally static, intense marketing activity was necessary to maintain sales levels in 1978, he says.

On its manufacturing side the company's major task is to improve productivity and manufacturing efficiency to reduce unit costs.

Closure of some of the smaller outlying plants, including Dowlais in Merthyr Tydfil, and Hamilton and Carfin, in Glasgow and transfer of their production to the main factories will result in cost savings.

The proposed expansion at Cambuslang will not continue, but the new building at Merthyr, of some 400,000 sq ft, is progressing; this will be available for occupation in 1980.

Deferment of the Cambuslang expansion and postponement of new products at Merthyr, has led to significant reductions of capital authorisations. At year end contracts placed amounted to £5.6m (£6m), and £13m (£26m) had been authorised but not committed.

Capital expenditure priority is being directed towards cost reduction projects, Mr. Rawson states.

Meeting, Perivale, Middx., April 10 at 10 am.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Officials indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:— Barratt Developments, Chambers and Fargus, Harrisons Malaysian Estates, Medminster.

Finals:— Expanded Metal, James Fisher, Jardine Japan Investment Trust, Pittard, Relyon P.B.W.S., Tate of Leeds.

FUTURE DATES

Interims:—	
Bridport-Gundry	Mar. 23
Highland Distilleries	Apr. 9
London Scottish Finance	Mar. 20
Park Place Investments	Mar. 20
Finals:—	
Biddle	Mar. 29
Brent Chemicals Inter.	Mar. 27
Cadbury Schweppes	Apr. 5
Carpets International	Apr. 12
Clifford's Dairies	Mar. 30
Edinburgh Invest. Trust	Apr. 9
Horizon Midlands	Mar. 21
Quick (H. & J.)	Mar. 22
Reed (Austin)	Mar. 29
Sun Alliance & London Ins.	Apr. 4

FT Share Service

The following securities have been added to the Share Information Service appearing in the Financial Times:

Marsh and McLennan Companies (Section: Overseas — New York).

Morris and Blakey Wall Papers (Section: Drapery and Stores).

Nord (Compagnie du) (Section: Overseas—Paris).

Smallshaw (R.) (Knitwear) (Section: Textiles).

Goodman Bros. first half rise

PRE-TAX PROFITS of Goodman Brothers and Stockman, clothing manufacturer, increased from £254,000 to £324,000 for the half year to October 31, 1978. Turnover was up to £6.38m against £5.11m, and included £1.3m exports compared with £1.1m.

For the half year tax takes £168,000 against £132,000 giving earnings of 1.581p (1.271p) per 5p share basic, and 1.573p (1.23p) fully diluted.

Castlefield Rubber goes ahead

Taxable profits of Castlefield (Klang) Rubber Estate is shown up from £257,000 to £386,000 in the six months to December 31, 1978. Tax is given as £185,000 (£135,000).

The figures are based on an estimate for the full year, proportioned for six months.

Last year the company turned in pre-tax profits of £477,000, against £707,000. In his annual statement the chairman said the prospects for the current year were for a recovery of crops from the effects of the 1976-77 drought. He added that if prices for the company's commodities continued at current levels improved results could be expected.

Harrisons and Crosfield at January 11 this year had a 57.88 per cent interest in the company, but it is not a subsidiary of Harrisons.

BIDS AND DEALS

ICFC FINANCE FOR COIN SPECIALIST

Industrial and Commercial Finance Corporation has provided a long-term fixed rate loan of £100,000 to London's leading coin specialists B. A. Seaby.

The finance has been used for the acquisition of the numismatic interests of John Drury (Rare Books) of Colchester. Through the acquisition Seaby has become the world's largest dealers in antiquarian books on numismatics.

Seaby was started in 1926 as a dealer in English and Roman coins. The company also deals in coins from the ancient world, European medieval coins, oriental and gold coins and paper notes.

GRAND MET. BUYS DANISH HOTEL

Grand Metropolitan Hotels, the hotel operating subsidiary of Grand Metropolitan, has agreed to buy the Hotel d'Angleterre in Copenhagen. This is Grand Metropolitan's first hotel purchase in the region. It is hoped that completion will take place in about one month's time, the directors say.

CROWN HOUSE

The offer by Gresham Trust on behalf of Crown House to acquire the capital of Best and May not already owned has been declared unconditional.

Acceptances have been received in respect of 1,568,597 ordinary shares. Taking into account the 442,500 ordinary shares of Best and May (19.67 per cent) owned within the Crown House Group when the offer was announced, and the 61,757 shares acquired since the announcement, the Crown House now owns or has received acceptances in respect of 92.13 per cent of the capital. The offer has been extended to 3.30 p.m. on April 4, 1979.

Dealings in the new ordinary shares without documents of title will commence on March 15.

BIRMID QUALCAST GERMAN DEAL OFF

BIRMID QUALCAST'S plans for a 49 per cent participation in a new foundry operation at Neunkirchen, West Germany, will not now be implemented.

The decision results from a late major change in proposals by the prospective German partner, which was unacceptable to Birmid Qualcast.

LEIGH INTERESTS

Leigh Interests has completed the purchase of Timmins and Foulkes, builder and plumbers merchant, of Dudley.

The consideration was some £300,000 cash. Timmins is complementary to Leigh's existing subsidiary, Hockley Heath Building Supplies, and this should lead to Timmins making an increasing contribution to Leigh's profits.

TKM ACQUISITION

For £236,458 cash Tozer Kemsley and Millbourn (Holdings) has bought the UK forwarding activities of P.I.E. Transport Inc., an air and surface forwarder with offices and warehouses in London, London Airport, Manchester, Liverpool and Glasgow. These international forwarding activities will be incorporated into the TKM forwarding group.

MINING NEWS

Surge in earnings for Amgold

BY PAUL CHEESERIGHT

THE RISING tide of dividends from South African gold mines has lifted the net profits of Anglo American Gold Investment (Amgold) to R71.48m (£41.6m) for the 14 months to February from R41.5m in 1977.

An announcement today is accompanied by a final dividend declaration of 150 cents (87.4p), which brings payments for the 14 months to 250 cents, against 165 cents in 1977.

Amgold has holdings in more than 25 South African gold mines and has interests in the mining and exploration of Australian and Brazilian gold. It is 48 per cent owned by Anglo American Corporation.

Although the results cover 14 months, they are comparable with 1977 except for a dividend payment of R1.24m from Gold Fields of South Africa.

The sharp rise in the profits was wholly predictable given the rise in the bullion price since the beginning of last year and the higher level of dividends coming through from the mines. The bullion price started 1978 at $165.125 an ounce and ended February 1979 at $251.625.

Investment income in 1978-79 was R74.37m, after R45.18m in the depressed 1977 year. Earnings per share were 317.7 cents against 189 cents in 1977.

BOUGAINVILLE: NO BORROWING

Bougainville Copper, the Papua New Guinea producer in the Rio Tinto-Zinc group, is unlikely to need major borrowings to finance capital expenditure this year, according to Sir Frank Espie, the chairman, in his annual statement. But this depends on copper and gold prices maintaining present levels.

Sir Frank said the financial position was healthy. Net earnings last year were K45m (£32.3m), compared with K28.5m in 1977, and production reached record levels.

But production from the company's existing plant is expected to decline in future years because of a falling head grade. And as the level of ore reserves is falling, the company is waiting for permission from the PNG Government to explore in areas around the Special Mining Lease.

Vaal Reefs to mine at Afrikander Lease

VAAL REEFS is acquiring the right to mine uranium and gold at the Afrikander Lease property in return for the payment of a royalty based on revenue. The agreement, which brings to a conclusion lengthy speculation about whether Afrikander Lease would come to production, is announced today.

Both companies are part of the Anglo American group with properties in the Klerksdorp area of South Africa. Their agreement was foreshadowed in last Thursday's paper.

Vaal Reefs is to finance the capital development of the mine and will pay a 5.0 per cent royalty on the gross revenue derived from mineral sales. Additional royalties become due if profits exceed 30 per cent of revenue in any year.

The plan is for mining to start next December at the rate of 15,000 tons of ore a month. This will be treated at Vaal Reefs existing plant. A new plant at Afrikander would be ready for commissioning in the first half of 1981. Its capacity would be 50,000 tons a month milled, giving a production rate of 386 tonnes of uranium oxide and 460 kilograms of gold.

The shares of both Vaal Reefs and Afrikander were suspended in Johannesburg last Wednesday at the request of the companies, pending this announcement. In London the pre-suspension prices were £16¼ and 287p respectively.

GLOOMY OUTLOOK AT HAMMERSLEY

No significant recovery in the demand of Japanese and Western European steel mills for iron ore is expected this year by Hamersley, one of the major Western Australian producers. The company "is faced with a fairly static opportunity for sales," said Mr. R. T. Madigan, the chairman, in his annual statement.

He also warned, in a gloomy analysis of the outlook, that costs are expected to rise because of increases in the bills for wages and salaries, fuel and overseas interest rates.

But much depends on the industrial climate in the Pilbara. Last year, when net earnings slipped to A$34.8m (£19.1m) from A$57.8m in 1977 and shipments dropped 6.0 per cent, sales were limited more by strikes than by the depressed markets, Mr. Madigan said.

Hamersley is part of the Rio Tinto-Zinc group.

MINING BRIEFS

MOUNT ISA MINES—Production for the period February 12 to March 11: lead ore treated 198,859 tonnes, produced 11,700 tonnes crude lead and 15,017 tonnes zinc concentrates. Copper ore treated 327,304 tonnes produced 12,400 tonnes blister copper.

KINTA KELLAS TIN—Output of tin ore for February 34.46 tonnes (January 55 tonnes).

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051 548 5555)	12½	½-year	1,000	5-7
Poole (02013 5151)	11½	½-year	500	2-3
Poole (02013 5151)	12	½-year	500	4-5
Reading (0734 592335)	13½	maturity	1,000	5
Redbridge (01-478 3020)	11½	½-year	200	4-5
Sefton (051 922 4040)	11½	½-year	2,000	5-7

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 30.3.79.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	11½	11½	11½	12	12	12½	12½	12½

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 177). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

Companies and Markets

INTNL. COMPANIES and FINANCE

St-Gobain confirms setback

By David White in Paris

ET PROFIT last year at Saint-obain-Pont-à-Mousson, France's rgest quoted company, opped at parent company vel to FFr 266m ($62m) from Fr 354m in 1977, following the ne trend as the group as a hole.

Operating income fell to Fr 168m from FFr 218m, ainly because of a decline in vidend income, lower profits the company's West German anch, higher depreciation and gher financial costs. The vidend is being maintained at a net FFr. 8.70 r share, but this will paid on higher share capital llowing the company's new ue at the end of last year. Earlier, the company nounced group net profit of r 450m down from FFr 642m. estimated net sales of Fr 34.3bn, compared with Fr 31.8bn.

Peru arranges Euroloan

By John Evans

HE PERUVIAN state oil ency, Petroperu, is arranging $35m pre-export financing in e Eurocurrency markets. It arks Peru's first Euromarket edit since recent re-heduling agreement signed ith the IMF and commercial nks.

A small group of banks led the London-based Libra nk is organising the short-rm credit, which will be paid out of proceeds of oil les abroad. Peru became a t oil exporter last year.

The deal, carrying spreads of ound 1½ per cent, is guaran-ed by Banco de la Nacion, the ate bank.

In Tokyo, Sumitomo Bank onfirmed that a group of 12 ipanese banks has signed a ontract for a $175m loan with e International Investment ank, the Comecon banking gency.

The eight-year loan carries a read of ⅜ per cent. IIB is pected to use the loan for dustrial development in astern Europe.

Sharp advance for Swedish builder

BY VICTOR KAYFETZ IN STOCKHOLM

BALKEN, the Swedish construction group, more than doubled its pre-tax profit from SKr 26.1m to SKr 56.6m ($13m) for 1978, a slightly better performance than was predicted in the eight-month report. The board recommends a dividend of SKr 7.50 per share, up from SKr 6.

Turnover rose 6 per cent to SKr 3.5bn ($801m), while incoming orders totalled SKr 4.1bn or 15 per cent higher than in 1977. The order book stood at SKr 2.4bn on the last day of 1978, compared with SKr 1.8bn a year earlier.

The company attributed its improved earnings to construction projects both in Sweden and abroad, and to its property sales operations, adding that the absence of foreign currency exchange losses compared with 1977 was another positive factor.

The merger of Balken's two main subsidiaries, Armerad Betong and ABV, completed in 1977, had cost about SKr 20m during that year. Expenses related to the merger had only negligible impact on the 1978 accounts.

After allocations of SKr 40.5m and taxes, net profit for 1978 is SKr 13.6m against SKr 17.5m. The proposed dividend totals SKr 6.1m, compared with SKr 4.9m.

● Iggesund, the Swedish pulp, board, steel and chemicals Group, recovered strongly in the last five months of 1978 to record a pre-tax profit of SKr 52.9m ($12.2m) for the year, against a loss of SKr 8m in 1977. The board proposes to raise the dividend by SKr 1 to SKr 8.50, paying shareholders a total of SKr 20.8m.

In its seven-month report, the company had reported a loss of SKr 23m but had predicted an improved market for pulp later in the year.

The 1978 pre-tax figure includes currency gains of SKr 8m on long-term foreign loans, compared with a 1977 currency loss of SKr10m on such loans. Sales rose 19.8 per cent to SKr1.648bn ($372m) last year, with 70 per cent being exported, against 67 per cent in 1977.

Wheelock in property venture

By Anthony Rowley in Hong Kong

WHEELOCK MARDEN, the major trading house, and Cheung Kong (Holdings), one of Hong Kong's biggest property developers, have agreed to develop real estate on a joint basis. Agreement has been reached in principle for future redevelopment of Wheelock House and Marden House, both of which properties are owned by Crawford, which in turn is a subsidiary of Wheelock Marden.

The statement added that Wheelock Marden and Cheung Kong (Holdings) were "actively pursuing further proposals which it is hoped may lead to further joint venture developments in the field of real estate."

● Hutchison Properties, a subsidiary of Hutchison Whampoa group, reports consolidated after-tax profits of HK$ 21.9m for 1978. This is virtually unchanged on the previous year's figure, although Hutchison points to a 77.8 per cent increase, adding in extraordinary items of HK$38.11m.

Petronas absorbs South China Sea concession

BY WONG SULONG IN KUALA LUMPUR

PETRONAS CARIGALI, the exploration and production subsidiary of Petronas, the Malaysian oil company, has been assigned the rights to develop the oil field abandoned last year by the Conoco consortium.

Tan Sri Abdullah Salleh, the Petronas chairman, has confirmed that the Conoco consortium had been compensated for dropping its claim to the area, but declines to disclose the amount. The Conoco consortium, which included El Paso of Texas and BHP of Australia, was given a concession in the early 1970s to prospect for oil over 7,402 square miles off the Pahang coast in the South China Sea.

It made several oil strikes in what is known as the Sotong area, and although the initial oil flow was promising, further surveys showed that the reserves were not very large. In the circumstances, Conoco and its partners wanted a more attractive production sharing agreement from Petronas than those agreed upon by Shell and Exxon.

The consortium gave up its rights last year, when Petronas refused to consider relaxing the terms of the production sharing agreement. Conoco claim that the Sotong field has only 20m barrels of recoverable oil, while Petronas believes the amount is in the region of 50m barrels.

Prime rate up in Hong Kong

PRIME LENDING rate in Hong Kong was raised yet again on Friday—the fifth time in as many months—in an effort to slow the growth in domestic money supply and to support the Hong Kong dollar. The Hong Kong and Shanghai Banking Corporation and the Chartered Bank, which jointly determine "best lending" or prime rate announced that the rate will rise by 0.5 of a point to 11 per cent.

The two banks said the increase was decided upon as a further reflection of the need to curtail the growth of bank advances. Meanwhile, in a separate statement, the 94-member Exchange Banks Association said it had decided to raise all deposit rates by 0.5 of a point, except for the six months rate which will be raised by 0.75 of a point.

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
*Armstrong Equipment	Mar. 21	Int. 0.8
Assocd. Biscuit Manufcturs	Apr. 10	Final 1.88 fcst.
Aurora	Mar. 30	Final 3.35
*BICC	Mar. 29	Final 4.8
BPM	Mar. 29	Int. 0.8125
Babcock and Wilcox	Apr. 12	Final 2.882
Bank of Scotland	Apr. 4	Final 5.448
*Barratt Developments	Mar. 19	Int. 2.64
Barrow Hepburn	Mar. 8	Final 1.9331
*Bell (Arthur)	Mar. 21	Int. 2.25
Blue Circle Inds.	Apr. 13	Final 8.4523
*Booker McConnell	Mar. 29	Final 3.952fcst.
*Bowater	Apr. 5	Final 5.7864
*Bowring (C. T.)	Mar. 22	Final 2.0393
*British Aluminium	Mar. 21	Final 20.0 fcst.
Brit. Printing Corpn.	Apr. 6	Final 2.4 fcst.
Brown Boveri Kent	Apr. 14	Final 1.0
*Cadbury Schweppes	Apr. 5	Final 2.09143
*Cape Inds.	Apr. 5	Final 5.302
Cons. Gold Fields	Apr. 5	Int. 3.1916
Coral Leisure	Apr. 20	Final 3.6 fcst.
Croda Intnl.	Apr. 4	Final 1.152
Currys	Apr. 17	Final 4.54
Dickinson Robinson	Apr. 13	Final 4.448
Dunlop	Apr. 20	Final 2.85
Eagle Star	Apr. 12	Final 3.1262
English Property	Mar. 30	Final 1.05 fcst.
*Expanded Metal	Mar. 19	Final 2.05
Glaxo	Apr. 20	Int. 4.5
Glynwed	Apr. 12	Final 5.75
*Guardian Royal Exchange	Apr. 11	Final 5.9304
Guest Keen and Nettlefolds	Apr. 4	Final 10.059
Hawker Siddeley	Apr. 18	Final 2.201
*Hepworth Ceramic	Mar. 20	Final 1.76
Hepworth (J.)	*Apr. 21	Int. 0.72
Hewden Stuart	Apr. 10	Final 0.8684
House of Fraser	Mar. 30	Final 3.0776
*Howden (Alexander)	Mar. 29	Final 4.09
*Jacobs (John I.)	Mar. 21	Final 1.2291
LWT	Mar. 30	Int. 3.555
Ladbroke	Mar. 29	Final 4.0
Laird Group	Mar. 27	Final 2.977 fcst
*Lead Industs.	Apr. 11	Final 4.37
*Legal and Genl. Assce.	Mar. 28	Final 3.88
*Liverpool Daily Post	Mar. 21	Final 4.565
London Brick	Apr. 6	Final 1.9602
*Low and Bonar	Apr. 2	Final 7.39
*Lucas Industries	Mar. 29	Int. 2.334
*Menzies (John)	Apr. 24	Final 1.34 fcst.
*Metal Closures	Mar. 20	Final 2.5136
*Morgan Crucible	Apr. 5	Final 2.204
Mowlem (John)	Mar. 30	Final 5.0
*Newman-Tonks	Mar. 31	Int. 3.559 fcst.
News Intl.	Apr. 6	Final 4.9
Ocean Transport	Apr. 3	Final 4.2273
Ofrex	Apr. 6	Final 2.34
Pearl Assurance	Apr. 6	Final 8.735
Pearson Longman	Apr. 21	Final 4.236
Pearson (S.)	Apr. 21	Final 4.809
Phoenix Assur.	Apr. 5	Final 5.77
Prudential Assce.	Mar. 30	Final 4.198
Ready Mixed Concrete	Apr. 13	Final 3.27
Reckitt and Colman	Mar. 30	Final 5.95478
*Reed (Austin)	Mar. 29	Final 1.859
*Rockware	Mar. 21	Final 3.2846
Rowntree Mackintosh	Apr. 13	Final 5.4175
Rugby Portland Cement	Apr. 17	Final 1.909
Schroders	Mar. 22	Final 8.4401
*Scottish Met. Prop.	Apr. 2	Int. 0.9
*Slough Estates	Mar. 28	Final 1.515
*Smith (W. H.)	Apr. 21	Final 0.2878
*Smiths Inds.	Apr. 10	Int. 3.2863
*Spirax-Sarco	Apr. 3	Final 5.19
*Stone-Platt Inds.	Mar. 22	Final 1.33
*Sun Alliance	Apr. 4	Final 8.245
Taylor Woodrow	Apr. 6	Final 6.4863 fcst
*Telephone Rentals	Apr. 25	4.3
*Tilling (T.)	Mar. 21	Final 2.315
*Tube Investmts.	Mar. 21	Final 11.124
Vosper	Mar. 14	Final 2.5 fcst.
*Waterford Glass	Mar. 20	Final 0.7385
*Weir Group	Mar. 21	Final 3.509
*Willis Faber	Mar. 20	Final 6.125

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserve.

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel: 01-283 1101.
Index Guide as at March 6, 1979 (Base 100 on 14.1.77)
Clive Fixed Interest Capital ... 145.42
Clive Fixed Interest Income ... 118.43

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD.
45 Cornhill, London, EC3V 3PB. Tel: 01-623 6314.
Index Guide as at March 15, 1979
Capital Fixed Interest Portfolio ... 106.55
Income Fixed Interest Portfolio ... 102.55

I.G. Index Limited 01-351 3466. Three months Copper 1009.7-1018.3
29 Lamont Road, London, SW10 0HS.
1. Tax-free trading on commodity futures.
2. The commodity futures market for the smaller investor.

INSURANCE BASE RATES
†Property Growth ... 12½%
†Vanbrugh Guaranteed ... 10.25%
†Address shown under Insurance and Property Bond Table

CORAL INDEX: Close 511-516

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1978/79 High	Low	Stock	Closing Price p	+or-	Div.	Times covered	Gross Yield	P/E Ratio
195	F.P.	—	194	150	‡Ap. Computer T.	194	+4	0.7	11.0	0.5	23.1
60	F.P.	20/2	173	68	Caledonian Hldgs.	171	+2	t7.5	1.6	6.4	14.5
	F.P.	16/2	152	118	Hunting Assoc.Defd.	152					
	F.P.	9/2	41	31	M.Y. Dart Defd.	38	+1				
95	F.P.	—	117	97	Sedgwick F.New 10p	114	+2	T5.0	2.1	6.5	10.7

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. date	1978/79 High	Low	Stock	Closing Price	+or-
	F.P.	23.2	85p	53p	Chepstow Race's 5% Cnv. Uns. Ln.1988	85p	
£96	£50	—	20	19½	ICFC 12¼% Uns Ln 1992	19½	-1
£98	£10	27/4	13⅜	12	Lee Valley Water 8% Red. Prf. 1986	13⅜	
	F.P.	14/6	99½	97¼	Mid-Southern Water 8% Red. Pref1984	99½	
		9/3	102p	95p	Shaw Carpets 10% 2nd Cum. Prf.£1	102p	+1

"RIGHTS OFFERS"

Issue Price p	Amount Paid up	Latest Renunc. Date		1978/9 High	Low	Stock	Closing Price p	+or-
185	F.P.	9/3	23/5	171	151	Baker Perkins	151	-2
115	Nil	8/3	27/4	41pm	32pm	Brammer (H.)	38pm	
85	F.P.	—	—	66	60	Burco Dean	60	
88	Nil	—	—	29pm	21pm	Cement-Roadstone	21pm	-1
220	F.P.	14/2	6/4	293	228	Haslemere Estates	280	+2
60	F.P.	2/3	23/3	69	63	Hawkins & Tipson	67	-2
420	Nil	23/3	4/5	40pm	25pm	Johnson Matthey	32pm	
185	Nil	15/3	15/4	109	[illegible]	Macpherson (D)	[illegible]	
57	F.P.	7/2	20/4	103	93	[illegible]	101	
58	F.P.	26/2	26/3	66	60	Montfort	64	
235	F.P.	12/3	20/4	286	253	Rank Org.	282	+2
59	Nil	23/3	19/5	20pm	14pm	Redman Heenan	20pm	
27	F.P.	14/3	25/4	37	35	Sekers Intl.	36½	
315	F.P.	12/3	20/4	385	343	Taylor Woodrow	374	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. g Gross. T Figures assumed. † Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. || Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). • Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security.

BASE LENDING RATES

A.B.N. Bank	13%
Allied Irish Banks Ltd.	13%
Amro Bank	13%
American Express Bk.	13%
A P Bank Ltd.	13%
Henry Ansbacher	13%
Associates Cap. Corp.	13%
Banco de Bilbao	13%
Bank of Credit & Cmce.	13%
Bank of Cyprus	13%
Bank of N.S.W.	13%
Banque Belge Ltd.	13%
Banque du Rhone et de la Tamise S.A.	13½%
Barclays Bank	13%
Bremar Holdings Ltd.	14%
Brit. Bank of Mid. East	13%
■ Brown Shipley	13%
Canada Perm't Trust	13%
Cayzer Ltd.	13%
Cedar Holdings	13%
■ Charterhouse Japhet	13½%
Choulartons	13%
C. E. Coates	13%
Consolidated Credits	13%
Co-operative Bank	*13%
Corinthian Securities	13%
Credit Lyonnais	13%
The Cyprus Popular Bk.	13%
Duncan Lawrie	13%
Eagil Trust	13%
English Transcont.	13½%
First Nat. Fin. Corp.	14%
First Nat. Secs. Ltd.	14%
■ Antony Gibbs	13%
Greyhound Guaranty	13½%
Grindlays Bank	‡13%
■ Guinness Mahon	13%
■ Hambros Bank	13%
■ Hill Samuel	§13%
C. Hoare & Co.	†13%
Julian S. Hodge	14%
Hongkong & Shanghai	13%
Industrial Bk. of Scot.	13½%
Keyser Ullmann	13%
Knowsley & Co. Ltd.	14½%
Lloyds Bank	13%
London Mercantile	13%
Edward Manson & Co.	14%
Midland Bank	13%
■ Samuel Montagu	13%
■ Morgan Grenfell	13%
National Westminster	13%
Norwich General Trust	13%
P. S. Refson & Co.	13%
Rossminster	13%
Royal Bk. Canada Tst.	13%
Schlesinger Limited	13%
E. S. Schwab	14%
Security Trust Co. Ltd.	14%
Shenley Trust	14%
Standard Chartered	13%
Trade Dev. Bank	13%
Trustee Savings Bank	13%
Twentieth Century Bk.	14%
United Bank of Kuwait	13%
Whiteaway Laidlaw	13½%
Williams & Glyn's	13%
Yorkshire Bank	13%

■ Members of the Accepting Houses Committee.
* 7-day deposits 10½%, 1-month deposits 10¾%.
† 7-day deposits on sums of £10,000 and under 10½%, up to £25,000 11% and over £25,000 11½%.
‡ Call deposits over £1,000 10½%.
§ Demand deposits 11%.

CURRENCIES, MONEY and GOLD

EMS starts without fuss

BY COLIN MILLHAM

The European Monetary Sys-m made its long awaited start st week with very little fuss problem. Two currencies ich are not even part of the IS continued to attract the ost attention. The Japanese yen no part of the system for ob-ous geographical reasons, while erling remains outside for rious reasons, which are now ainly political rather than econ-nic.

Japan's currency took a heavy ttering, with the dollar climb-g to Y209.12½ at the Wednes-y Tokyo close, the weakest level for the yen since June last year. Central bank support for the yen was probably over $1bn during the first three days of last week.

On Wednesday the Bank of Japan alone was believed to have sold $600m, with reports of further support for the yen by the Federal Reserve.

Exxon's decision to reduce by 50 per cent oil sales to non-affiliated Japanese oil companies was the immediate reason behind the yen's fall, but the currency was already feeling a cold draught as a result of sagging confidence in the Japanese economy.

By the end of the week the yen had recovered to Y207.40 helped by news that Japan's January trade deficit had been turned into a surplus in February.

Sterling continued to lead the upward movement in European currencies at the beginning of the week, with its trade-weighted index, on Bank of England figures, rising to 65.3 on Tuesday, the highest level since late February last year. In dollar terms it touched $2.0475, the best level since the end of October.

From the middle of the week the Bank of England no longer had to support the dollar to hold sterling down, with the pound easing to $2.0305 on Friday, possibly reflecting profit taking in the gilt-edged market and a decline in commercial demand.

Initial reaction to the long dated Government tap stock was somewhat confused, and sentiment was not helped by the authorities' method of intervention in the London money market. This was taken as a clear indication that the Bank of England was not happy with the downward trend in interest rates. A cut in Minimum Lending Rate remains almost certain in the near future, but as the weeks pass the Budget looks the most likely time for such a move.

CURRENCY RATES

March 16	Bank rate %	Special Drawing Rights	*Europ'n Currency Unit
erling	13	0.631636	0.663647
.S. $	9½	1.28573	1.35026
nadian $	11¼	1.50842	1.58453
istria Sch.	3¾	17.5534	18.4310
lgian F.	6	37.3776	39.7651
nish K.	8	6.66522	6.99973
mark	3	2.39480	2.51647
ilder	6½	2.58559	2.71591
ench Fr.	9½	5.51771	5.79868
ra	10½	1083.23	1136.37
n	5½	266.210	280.111
wgn. K.	7	6.55272	6.88766
anish Pes.	8	—	93.4580
vedish Kr.	6½	5.60836	5.89630
viss Fr.	1	2.16131	2.26978

* The European Unit of Account has een replaced by the European Currency it, which has the same value.

GOLD

	Mar. 16	Mar. 15
Gold Bullion (fine ounce)		
Close	$244-244½ (£120.1-120.5)	$239½-240¼ (£117.6-118.0)
Opening	$243¼-244 (£119.4-119.8)	$240-240½ (£117.8-118.1)
Morning fixing	$243.35 (£119.453)	$239.80 (£117.653)
Afternoon fixing	$244.00 (£119.872)	$240.10 (£117.852)
Gold Coins, domestically		
Krugerrand	$258½-262½ (£127¼-129¼)	$253½-257½ (£124½-126½)
New Sovereigns	$67½-69½ (£33¼-34¼)	$67¾-69¾ (£33¼-34¼)
Old Sovereigns	$77-79 (£37¾-38¾)	$77-79 (£35¾-38¾)
Gold Coins, internationally		
Krugerrand	$250½-252½ (£123¼-124¼)	$246½-248½ (£121-122)
New Sovereigns	$63¼-65¼ (£31-32)	$62½-64½ (£30¾-31¾)
Old Sovereigns	$77-79 (£37¾-39¾)	$77-79 (£36¾-38¾)
$20 Eagles	$313-318	$311-316
$10 Eagles	$170½-175½	$170½-175½
$5 Eagles	$119-124	$118½-123½

THE POUND SPOT AND FORWARD

March 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0300-2.0380	2.0300-2.0310	0.32-0.22c pm	1.59	0.80-0.70 pm	1.48
Canada	2.3800-2.3905	2.3800-2.3810	0.35-0.25c pm	1.51	0.85-0.75 pm	1.34
Nethlnd.	4.07½-4.10	4.08-4.09	2½-1½c pm	5.87	6-5 pm	5.38
Belgium	59.70-60.05	59.75-59.85	30-20c pm	5.02	75-65 pm	4.68
Denmark	10.52-10.58	10.52½-10.53½	1¼ore pm-¼ore dis	0.85	2¼-¼ pm	0.47
W. Ger.	3.77½-3.80½	3.78½-3.79¼	3¼-2½pf pm	8.32	7¾-6⅞ pm	7.79
Portugal	97.20-97.85	97.20-97.60	30-100c dis	−8.00	80-220 dis	−6.16
Spain	140.40-140.90	140.50-140.60	5c pm-45c dis	−1.71	10-130 dis	−1.99
Italy	1,707½-1,714½	1,708-1,709	2 lire pm-par	0.70	2½-½ pm	−0.35
Norway	10.35-10.39	10.35½-10.36½	5-3ore pm	4.63	9¼-7¼ pm	2.80
France	8.70-8.74	8.70½-8.71½	3½-2½c pm	4.13	9½-8½ pm	4.02
Sweden	8.86-8.89	8.86¼-8.87¼	3½-1½ore pm	3.38	8¾-6¾ pm	3.49
Japan	420-425	420½-421½	2.60-2.30y pm	6.98	7.45-7.15 pm	6.93
Austria	27.67-27.77	27.70-27.76	22-12gro pm	7.36	52-42 pm	6.78
Switz.	3.41-3.43½	3.41½-3.42½	4¼-3¼c pm	13.17	10¾-9¾ pm	11.89

Belgium rate is for convertible francs. Financial franc 60.50-60.60.
Six-month forward dollar 1.37-1.27c pm; 12-month 2.50-2.40c pm.

THE DOLLAR SPOT AND FORWARD

March 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
K	2.0300-2.0380	2.0300-2.0310	0.32-0.22c pm	1.60	0.80-0.70 pm	1.46
eland	2.0300-2.0380	2.0300-2.0310	0.32-0.22c pm	1.60	0.80-0.70 pm	1.38
anada†	85.18-85.24	85.18-85.21	0.1c dis-0.1c pm	—	0.6-0.4 dis	−0.23
ethlnd.	2.0080-2.0115	2.0100-2.0115	0.84-0.74c pm	4.71	2.05-1.95 pm	3.98
elgium	29.42-29.45	29.42-29.44	11-9.5c pm	4.18	25.5-24.0 pm	3.36
enmark	5.1805-5.1860	5.1845-5.1860	0.25c dis-0.25c pm	—	0.75-1.25dis	−0.77
. Ger.	1.8595-1.8645	1.8635-1.8645	1.16-1.06pf pm	7.14	3.05-2.95 pm	6.44
ortugal	47.85-48.03	47.95-48.03	30-40c dis	−8.75	70-135 dis	−8.54
pain	69.15-69.26	69.21-69.26	6-16c dis	−1.91	28-38 dis	−1.91
aly	841.25-842.00	841.25-842.00	0.10-0.50lire dis	−0.43	1.50-2.00dis	−0.83
orway	5.0965-5.1020	5.1005-5.1020	1.70-1.20ore pm	3.41	2.50-2.00 pm	1.76
rance	4.2845-4.2910	4.2890-4.2910	1.30-1.20c pm	3.50	3.00-2.85 pm	2.73
weden	4.3640-4.3680	4.3665-4.3680	1.00-0.80ore pm	2.47	2.60-2.40 pm	2.29
apan	206.80-208.10	207.35-207.45	1.05-0.95y pm	5.78	2.95-2.85 pm	5.59
ustria	13.64½-13.65¼	13.65-13.65½	7.75-7.00gro pm	6.43	20.0-18.0 pm	5.57
witz.	1.6775-1.6830	1.6815-1.6825	1.65-1.55c pm	11.41	4.47-4.37 pm	10.51

† U.S. cents per Canadian $.

OTHER MARKETS

Mar. 16	£	$		£ Note Rates
Argentina Peso	2290-2310	1128-1138	Austria	27¼-28¼
Australia Dollar	1.8125-1.8165	0.8926-0.8946	Belgium	60¼-61¼
Brazil Cruzeiro	46.00-47.00	22.66-23.16	Denmark	10.50-10.60
Finland Markka	8.08-8.09	3.9793-3.9842	France	8.65-8.75
Greek Drachma	75.758-76.659	36.32-37.21	Germany	3.75-3.85
Hong Kong Dollar	9.860-9.875	4.8559-4.8633	Italy	1,700-1,750
Iran Rial	148.43-156.56	73-77	Japan	420-430
Kuwait Dinar (KD)	0.556-0.566	0.2738-0.2787	Netherlands	4.05-4.15
Luxembourg Frc.	59.75-59.85	29.43-29.45	Norway	10.32-10.42
Malaysia Dollar	4.4625-4.4725	2.1977-2.2026	Portugal	92-98
New Zealand Dlr.	1.9265-1.9325	0.9488-0.9517	Spain	140.50-145.50
Saudi Arab. Riyal	6.79-6.89	3.3440-3.3932	Switzerland	3.37-3.47
Singapore Dollar	4.4160-4.4260	2.1748-2.1797	United States	2.0350-2.0450
Sth. African Rand	1.7098-1.7205	0.8420-0.8473	Yugoslavia	40½-42½

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Mar. 16	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.031	3.788	421.3	8.710	3.418	4.085	1709.	2.381	59.80
U.S. Dollar	0.492	1.	1.865	207.5	4.290	1.683	2.012	841.4	1.172	29.45
Deutschemark	0.264	0.536	1.	111.2	2.300	0.902	1.079	451.1	0.629	15.79
Japanese Yen 1,000	2.374	4.820	8.991	1000.	20.68	8.113	9.697	4056.	5.651	142.0
French Franc 10	1.148	2.331	4.348	483.6	10.	3.924	4.690	1962.	2.733	68.66
Swiss Franc	0.293	0.594	1.108	123.3	2.549	1.	1.195	499.9	0.697	17.50
Dutch Guilder	0.245	0.497	0.927	103.1	2.132	0.837	1.	418.2	0.583	14.64
Italian Lira 1,000	0.585	1.188	2.217	246.6	5.098	2.000	2.391	1000.	1.393	35.00
Canadian Dollar	0.420	0.853	1.591	177.0	3.659	1.436	1.716	717.7	1	25.12
Belgian Franc 100	1.672	3.395	6.334	704.4	14.57	5.715	6.831	2857.	3.981	100.

LONDON MONEY RATES

Mar. 15 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ф	Eligible Bank Bills ф	Fine Trade Bills ф
Overnight	—	12-20	—	—	—	—	12½-13	—	—	—
2 days notice	—	—	12¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12½-12¾	12¾-12⅞	—	12⅞	13½	12-12½	—	—	—
One month	12⅛-12 7/16	12½-12⅝	12¼-12½	12⅜-12⅝	12⅞	13	12⅛	11⅛-11 [illegible]	12½	12¾
Two months	12¼-12 [illegible]	12¼-12⅜	—	12-12⅜	12⅝	—	11⅝	11¼-11 [illegible]	12-12 1/16	12¾
Three months	11 [illegible]-11½	11 [illegible]-11 15/16	11⅝-12	11¼-11⅝	12⅜	13	11⅛	11¼-11 [illegible]	11½-11 [illegible]	12
Six months	11½-11 7/16	11⅞-11 11/16	11¼-11⅝	10¾-11⅛	12	—	—	—	10⅞-11⅛	12¼
Nine months	11 7/16-11¼	11⅞-11½	—	11¼-11⅝	11⅞	—	—	—	—	—
One year	11⅝-11⅛	11⅝-11½	11¼-11⅞	11¼-11⅝	11¾	—	—	—	—	—
Two years	—	—	11⅝-12¼	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rates nominally three years 11¾-12½ per cent; four years 12⅛-12½ per cent; five years 12⅜-12⅝ per cent. фBank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11 per cent; four-month trade bills 12½ per cent.

Aproximate selling rates for one-month Treasury bills 11⅛ per cent; two-month 11 per cent; three months 11⅛ per cent. Approximate selling rate for one-month bank bills 12¼-12⅛ per cent; two-month 11⅞-11 [illegible] per cent; and three-month 11 [illegible] per cent; one-month trade bills 12⅝ per cent; two-month 12⅜ per cent; and three-month 11⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13½ per cent from March 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 10.5 per cent. Clearing Bank Rates for lending 13 per cent. Treasury Bills: Average tender rates of discount 10.9299 per cent.

MONEY RATES

NEW YORK

Prime Rate	11.5-11.75
Fed Funds	10.3125
Treasury Bills (13-week)	9.42
Treasury Bills (26-week)	9.49

GERMANY

Discount Rate	3
Overnight Rate	4.25
One month	4.35
Three months	4.45
Six months	4.65

FRANCE

Discount Rate	9.5
Overnight Rate	6.875
One month	6.9375
Three months	7.125
Six months	7.375

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.625
Bills Discount Rate	4.625

INSURANCE

Home Office looks at private security

BY OUR INSURANCE CORRESPONDENT

THE HOME OFFICE has just published The Private Security Industry, a discussion paper (obtainable from H.M. Stationery Office price 80p) which has been sent to a number of interested organisations, including those representing insurers, and comment has been invited.

In the introduction, the authors explain that government recognises first that there is public concern about the growth of the private security industry, involving as it does so-called "private armies," and second that there is demand for regulation and control. The authors say arguments against control have received insufficient attention — in particular control would be expensive, and would be likely to involve an extension of the right of access to criminal records.

The paper is published to provide background information about the private security industry—to ensure that arguments for and against control are based on facts—and to set out some of the issues to be considered. It is 31 pages long and comprises five chapters, dealing with industry, the law, arguments for control, policy issues and possible forms of control.

Attempting to strike a balance and not drive readers and debaters in any particular direction, the authors conclude: "It is important on the one hand that the argument of principle in favour of control in at least part of the security industry should not obscure the practical implications and, on the other hand, that the practical difficulties should not be allowed to close the argument."

In the EEC, West Germany is alone in having introduced legislation recently for the licensing and control of private security forces, but Holland is currently considering amendments to laws that have been in force since the 1930s. Elsewhere, Sweden has a detailed control scheme and so has New Zealand. In Canada and the U.S. controls vary from strict to non-existent, depending on province or state.

Insurers, in selling crime loss protection for premises, money, goods in transit and so on, rely to a considerable extent on the quality and efficiency of the private security organisations. Insurers often make contracts for security services and equipment installation—not just as conditions of the provision or continuation of cover but actually the subject of warranties that go to the foundations of the insurances provided.

It is in the interests of insurers and all members of the public employing the private security organisations that the services and goods supplied are of known, objectively assessed, adequately high standards—that private security staff are people of high integrity. Whether such high integrity can be achieved and maintained in modern conditions by the security industry by self-regulating codes of conduct operated without any degree of state supervision, is, I guess, the principal, perhaps even the only, question relevant to insurers.

However, the discussion paper is now there, the debate is open and presumably interested parties' submissions will be published in due time. Paragraph 23 of the discussion paper tells us: "The only legislation passed with any part of the security industry in mind was the Guard Dogs Act 1975." Perhaps when the dust of debate has finally settled this will still be true.

Public Works Loan Board rates

Effective from March 17

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	11¾	11¾	11¾	12⅝	12¼	12¾
Over 5, up to 10	11⅞	12⅛	12⅛	12¾	12⅝	13⅞
Over 10, up to 15	12⅜	12⅜	12¾	12⅞	13⅛	13¼
Over 15, up to 25	12⅝	12¾	12⅞	13⅛	13¼	13⅜
Over 25	12¾	12⅞	12⅞	14¼	13⅝	13⅝

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principle and interest). § With half-yearly payments of interest only.

APPOINTMENTS

Two new Wilkinson Match directors

Mr. George Williams and Mr. Tom H. Vogel have been appointed non-executive directors of WILKINSON MATCH. Since 1975, Mr. Williams has been director-general of the UK Offshore Operations Association. Mr. Vogel, a Swiss citizen, is a consulting engineer and a director of several European companies.

*

Mr. Harry Taylforth, general manager, has been elected a director of SKIPTON BUILDING SOCIETY in succession to Mr. Cyril Clarke, who has retired.

*

Mr. Robert McGeeven and Mr. Colin Tuffs have been appointed directors of DEREK CROUCH (SALES). Mr. Tuffs will be particularly responsible for the promotion of compaction equipment sales and Mr. McGeever will be mainly concerned with the sales force in the rest of England and Wales.

*

GOODLASS WALL AND CO. has made the following Board appointments: Mr. Geoffrey Smith becomes director in charge of the high performance coatings group, taking over from Mr. Glyn Wainwright, who retired at the end of February. His new post covers the whole specialised field of industrial, automotive and protective coatings. Mr. Ben Powell-Veness is appointed director in charge of the decorative services group, which covers retail and trade paints, together with the associated marketing and advertising functions, and the company's merchant division which also sells wallcovering and decorating sundries.

*

Mr. R. A. P. Smith, company secretary of IPC MAGAZINES, a subsidiary of Reed International, is retiring on March 30.

*

Two senior appointments have been made in the Europe Division of STAUFFER CHEMICAL in Geneva. Mr. Ernest Bachofner has become assistant general manager. He has been replaced by Mr. Allan Bashinger as director of finance and administration at the company's Geneva headquarters.

*

Mr. J. H. A. Wood is to join the Board of CONSOLIDATED GOLD FIELDS as an executive director and a member of the office of the chief executive on May 1. The company has made the appointment following Mr. Rudolph Agnew's succession to group chief executive. Mr. Wood is at present managing director of the industrial and marine division of Rolls-Royce Limited.

Mr. William J. Eckert has been appointed president and chief executive officer of member company Azcon Corporation. Mr. David O. Lloyd-Jacob, who was chairman of that Board and chief executive officer, will retain the title of chairman. Other appointments at Azcon, to take effect from April 1, are Mr. Glen M. Kassan, vice-president, finance and treasurer, previously vice-president and treasurer; Mr. Chris A. Kassimis, vice-president, distribution group, formerly assistant group vice-president; and Mr. Richard A. Secrist, vice-president, manufacturing group, having been assistant group vice-president.

*

Mr. P. A. Rippon, at present vice-chairman and managing director of LINDUSTRIES, will take over as chairman when Mr. W. E. Luke retires from that office after the annual meeting on July 31. Mr. Rippon will continue as managing director. At the same time Colonel B. M. Knox, a director of the company, will become vice-chairman. From the beginning of next month Mr. J. A. Harper and Mr. A. E. Luke will be assistant managing directors (operations). Mr. E. L. S. Weiss continues as group finance director but will also become responsible for group planning.

TEL AVIV

Company	Prices Mar. 18 1979	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel	347	−10.0
IDB Bankholding	399	+2.0
Bank Hapoalim Br.	[illegible]	+4.0
Union Bk. of Israel Br.	395	—
United Mizrahi Bank	213	+5.0
Hassneh Insurance Br.	398	+3.0
General Mort. Bank Br.	379	−2.0
"Tefahot" Isrl. Mt. Bk.	355	−11.0
Land Development		
Africa Israel Inv. IE10	985	+13.0
Israel Land Devpt. Br.	230	+11.0
Property and Building	334	+8.0
Public Utility		
Israel Electric Cpn.	307	+2.0
Investment Companies		
Bank Leumi Invest.	371	+7.0
"Clal" Israel Invest.	423	+23.0
Discount Invest.	296	−2.0
Commercial and Industrial		
Alliance Tire & Rubber	1,455	+15.0
Elco Br.	243	−1.5
Argaman Textile Br.	329	−7.0
"Ata" Textile "B"	197.5	+8.0
Amer. Israeli Ppr. Mills	[illegible]	+57.0
Assis	[illegible]	—
Elite	318	+5.0
Teva Reg.	678	+20.0
Fuel and Oil		
Delek	189	−2.0

Source: Bank Leumi le Israel BM, Tel Aviv.

WORLD STOCK MARKETS

Indices

NEW YORK — DOW JONES

	Mar. 16	Mar. 15	Mar. 14	Mar. 13	Mar. 12	Mar. 9	1978-79 High	1978-79 Low	Since Compil'tn High	Since Compil'tn Low
◆ Industr'ls	852.82	847.62	845.37	846.55	844.53	842.86	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	84.35	84.32	84.32	84.43	84.46	84.84	90.86 (4/1/78)	84.05 (15/1/79)	—	—
Transport	217.28	216.35	214.55	215.28	213.97	214.81	261.49 (2/9)	199.31 (9/1/78)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	105.25	102.98	102.35	105.55	105.56	104.16	110.98 (3/1)	97.75 (20/12)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's	31,770	29,450	24,030	31,170	25,740	33,500	—	—	—	—

◆ Day's high 856.72 low 843.21

	Mar. 9	Mar. 2	Feb. 23	Year ago (approx)
Ind. div. yield %	5.87	6.04	5.95	6.14

STANDARD AND POORS

	Mar. 16	Mar. 15	Mar. 14	Mar. 13	Mar. 12	Mar. 9	1978-79 High	1978-79 Low	Since C'mpil't'n High	Since C'mpil't'n Low
‡Indust'ls	112.33	111.36	111.78	111.29	111.11	110.88	118.71 (12/9)	95.52 (6/3)	134.54 (11/1/73)	3.52 (30/6/32)
§Composite	100.68	99.86	99.71	99.84	99.67	99.54	106.99 (12/9)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	Mar. 14	Mar. 7	Feb. 28	Year ago (approx).
Ind. div. yield %	5.11	5.17	5.28	5.47
Ind. P/E Ratio	8.44	8.93	8.73	8.43
Long Gov. Bond Yield	9.02	9.01	9.06	8.16

N.Y.S.E. ALL COMMON

MONTREAL

TORONTO

JOHANNESBURG

EUROPE

AMSTERDAM

BRUSSELS/LUXEMBOURG

SPAIN

COPENHAGEN

VIENNA

STOCKHOLM

GERMANY

SWITZERLAND

MILAN

OSLO

PARIS

TOKYO

HONG KONG

BRAZIL

AUSTRALIA

JOHANNESBURG

Financial Rand U.S.$0.75 (Discount of 37.0%)

WALL STREET

NEW YORK

CANADA

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

BY FRANCIS GHILES

New dollar issues re-appear

IE EUROPEAN Monetary stem was inaugurated last ek amid a string of apparent radoxes. The only EEC memr currency which stayed out, rling, performed strongly ile there was no sign of any IS currency attracting capital ws from the dollar. Meanile the Swiss franc sector, in words of dealers, was falling t of bed.

Trading activity in the dollar tor was reduced to a trickle. ices were, on the whole, ghtly off with the reappearce of new issues.

Three new offerings comprise $20m private placement for Swedish Export Council, a 5m floater for Texas International Airline which includes interest rate of ¾ per cent ove the three month LIBOR d a $25m convertible for the Swedish business systems and publishing company, Esselte.

The conversion premium on the Esselte bond is expected to be between 5-7 per cent. The shares stood at SKr 302½ last Friday.

Turnover in the Eurocurrency bonds was good but prices fell off later in the week as the gilt-edged market weakened. This did not in any way affect the good reception given to the largest ever new sterling denominated issue, the £50m offerings for General Electric Company.

In the Swiss market last week not only did newly traded issues fall to considerable discounts but investors staged what one dealer called a "strike." The SwFr 300m public issue for Canada was undersubscribed and receipts apparently amounted to about two-thirds of the total. Union Bank of Switzerland acknowledged the poor performance, the first time this degree of undersubscription is believed to have been admitted for a foreign bond.

Between the fixing of the final terms and the opening of the subscriptions for the Canadian offering, the market took a sharp turn for the worse. Since the beginning of this year, the large weight of liquidity has tempted borrowers to push coupons down on new issues aggressively.

The volume of new issues, including a number of refinancings, increased dramatically (exports of capital from Switzerland are believed to have doubled during the first two months of this year compared with the equivalent period in 1978). At the same time, the scope for further appreciation of the Swiss franc seemed limited. The borrowers were having it both ways.

The signs of indigestion were there, not least in the domestic bond market, when an inflation rate of 1.1 per cent in retail prices for February was announced, investors took their cue and decided that domestic interest rates must go up soon. This has not happened yet. Indeed last week Swiss National Bank intervention in the money markets brought down the price of 12-month money from 1¼-½ to ⅞-1⅛ per cent.

Many bankers nevertheless expect a rise in coupons on foreign issues in the near future.

The Canada issue fell to 96¾ in secondary market trading and recovered last Friday to 97.

Other newly traded issues fared much worse. The Osterreichische Kontrollbank 3½ per cent 12-year bond which was priced at 99 fell to 93¾ in early trading but had only recovered to 95½ by Friday.

The big three Swiss banks are expected to meet informally to discuss new foreign bond issues for the coming quarter. Although some Swiss bankers would like to see a freeze on new issues for a few weeks, this does not appear to be the considered view of most.

A much lower volume of new issues, all parties agree, is crucial. Very large public issues should be avoided and even more important, terms should be offered which investors will not look on askance.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	m. Amount	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
†United Overseas Bank	25	1989	10	6¼	100	Crédit Suisse First Boston	6.09
†CABEI	20	1994	9	7½	100	Dillon Read Overseas, IBJ Inc.	7.12
†Texas Int. Airlines	35	1986	6.2	7½	100	CSFB, Kidder Peabody, Smith Barney	7.12
‡**Swedish Export Credit	20	1986	4½	9½	100	Citicorp, Svenska Handelsbk., Warburg	9.73
§Esselte	25	1989	—	7½	100	Hambros, Skand. Enskilda	7.75
D-MARKS							
‡**Autopistas Con. Espanola	41.5	1985	6	7¼	100	West LB	7.25
STERLING							
General Electric Co.	50	1989	8.2	12½	*	Morgan Grenfell, Morgan Stanley, Paribas, Warburg	*
SWISS FRANCS							
City of Oslo	75	1991	n.a.	3½	99	Handelsbank	3.86
‡†Crédit Pop. d'Algerie	40	1989	n.a.	4½♦	100	Banque Gutzwiller, Kurz, Bungener	4.55♦
‡Norges Kommunalbank (g'teed Norway)	87.5	1991	n.a.	3½	99¼	Banque Gutzwiller, Kurz, Bungener	3.426
‡Norges Kommunalbank (g'teed Norway)	87.5	1994	n.a.	3½	100	Banque Gutzwiller, Kurz, Bungener	3.5
‡Australia	250	1989	n.a.	3¾	99¼	Swiss Bank Corp.	3.72
‡**Nordic Bank	50	1986	n.a.	3¾	100	Nordfinanz-Bank	3.75
**§Chujitsuya	50	1985	—	3¼	100	Crédit Suisse	3.25
**§Sankyo Elec.	40	1984	—	3⅛	100	Banca della Svizzera Italiana	3.125
GUILDERS							
‡Nederlandsche Middens.	75	1984	5	8¼	100	Nederlandsche Middens.	8.25
Indonesia	75	1989	5½	8¼	*	ABN	*
YEN							
‡Canada	30bn	1984	5	6.4	99.65	Nomura	6.48
KUWAITI DINARS							
‡Korea Dev. Bank	12	1984/89	—	7¾	99¾	Nat. Bank of Kuwait, Merrill Lynch Int.	7.91
Finnish Mortgage Banks (g'teed Finland)	5	1989	6.9	7½	*	KIC	*
UNITS OF ACCOUNT							
SOFTE (g'teed STET)	40	1989	8	8½	*	Kredietbank NV	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ♦ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. Note: Yields are calculated on AIBD basis.

MEDIUM-TERM FINANCING

BY JOHN EVANS

Applying the brake

BRAZIL and Mexico, which were together responsible for nearly half of the total $26.8bn in Eurocurrency bank loans raised by developing countries last year, appear to be putting the brake on their foreign currency borrowing.

For Brazil, with a debt service ratio of over 60 per cent, a restrictive borrowing policy will be welcome to those who have been concerned at the size of the country's foreign debt, which now stands at $42bn.

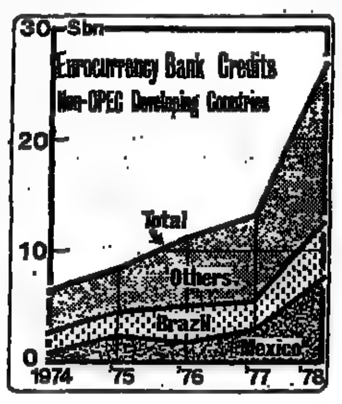
Nevertheless, a cutback in borrowing activity by these two countries threatens to have far structural implications for the international capital markets.

The good 1978 earnings among banks specialising in Latin American business, such as London's LIBRA, demonstrates how the high-margin loans in Brazil and neighbouring countries have helped to provide an insulation for banking profits at a time of declining spreads worldwide.

Mexico's state oil concern, Pemex, is understood to be on the point of prepaying two syndicated loans, each amounting to $300m, arranged in 1976 and 1977 respectively.

Spreads on these five-year transactions ranged up to 1⅞ per cent, and Pemex now clearly considers it can safely dispense with such high-cost facilities. Mexican Eurocurrency credits now command margins in the region of 1 per cent for much longer maturities.

Additionally, documentation for the current $600m loan for the Mexican electricity agency, CFE, makes reference to the fact that this is to be the last syndicated Eurocredit from the Mexican public sector in first-half 1979.



Brazil's incoming President, Gen. Joa Baptista Figueiredo, in his inaugural address last week, declared that Brazil itself must finance the cost of its own development, a reference to reduced foreign borrowing.

How this policy will be implemented is not yet clear, although it is believed that Brazil's banks may be restricted in the amounts they will be able to lend to the Brazilian Government and foreign companies based in the country.

Bankers also expect that Brazil will run down its foreign currency reserves fairly sharply this year—another technique for reducing borrowing. Some estimates suggest that the reserves will be cut to at least $8bn from their current level of some $12bn, the latter figure representing a full year's cover for Brazil's imports.

Tentative estimates among international bankers also suggest that Brazil should be in balance of payments equilibrium this year.

On this basis, the country is expected to borrow some $5bn to meet servicing requirements on its international debt, plus a further $2.5bn of "new money" for economic infrastructure development. The $4bn reduction in exchange reserves would mean a total foreign currency requirement of approximately $11.5bn for 1979.

This grand total should include export credit as well as other forms of non-commercial debt. So the indications are that Brazil may well finish up by raising less this year than the estimated $6.4bn secured in the international loan and bond market in 1978.

EURO-CDS

Maturity changes

BY MARY CAMPBELL

THE MATURITY structure of dollar certificates of deposit (CDs) issued by London banks shifted markedly between August and November last year. At the long end the shift was out of line with changes in the maturity structure of bank deposits generally.

Figures on the maturity structure of outstanding dollar CDs issued and held by London banks are a relatively new—and still widely unnoticed—addition to the coverage in the Bank of England's Quarterly Bulletin. Regular publication, which appears in the additional notes to Table 13 at the back of the Bulletin, was started only a year ago and the figures date back to May 1977.

They show that in the 15 months from May 1977 to August 1978 banks cut back the proportion of their total CD issues which were long term. CDs outstanding which were not due to mature for at least a year fell steadily from 23 per cent of total issues to 16 per cent last August.

In the three months between August and November, however, these long term CDs rose again to 19 per cent of the total. This change occurred at a time when long term deposits generally were steady in relation to total deposits.

The obvious explanation for this change was issuing activity by the Japanese banks. They needed to raise long term funds before the end-December reporting date because of regulations requiring them to cover medium term Eurocurrency loans by deposits with over one year to maturity.

Correlations with overall deposit figures (which include CDs) do indeed suggest that the Japanese were responsible for the increases in issues with a maturity of at least three years. But although they raised the value of their deposits with maturities of between one and three years by $406m between August and November (in proportion to their total deposits) deposits at this maturity actually fell.

In view of the Japanese regulations and the role London plays in Japanese banks' international funding, this fall is remarkable quite apart from its significance for the CD market.

Moreover, even in absolute terms the $684m rise in their overall deposits at the one-to-three year maturity was not sufficient to cover the $1bn rise in CDs outstanding at the same maturity. Unless there was a big shift by the Japanese banks from other kinds of deposit to CD issues, one must look elsewhere for the source of this rise.

U.S. BONDS

BY DAVID LASCELLES

Setting a firm course

HAVING SPENT last week in something of a lull, the U.S. bond markets should set a firmer course this week as the state of the economy becomes clearer and a major benchmark issue goes on sale.

The early part of last week passed with a sense of relief that the Federal Reserve Board had not, as widely thought the previous Friday, moved to tighten credit. The Fed acted conspicuously to soften the Fed funds market on Monday and hold the key interest rate at just over 10 per cent. Later in the week, the Central Bank appeared to have some difficulty tracking the highly volatile level of float in the banking system, and this pushed the rate up again, but most observers attributed this to technical rather than policy factors.

Two large banks outside New York pushed their prime rates back up to 11¾ per cent, citing the cost of funds and inflation. But in New York itself, the split prime persisted, with Chase & City Bank holding at 11½ per cent. Trends in the short term markets remained mixed, with one-month commercial paper rates rising, three-months bills and CDs unchanged, and one-year Treasury bills easing.

Bond prices registered a broad, though slight, decline in thin trading. Long dated Treasury issues shed ⅛ to ½ per cent, and yields of corporate bonds gained 5 to 10 basis points. New long term top quality utilities are now yielding 9.70 per cent, and industrials 9.25 per cent, according to estimates by Salomon Brothers.

The lack of activity, traders said, was due to the market's focus on the coming week which features a meeting of the Fed's Open Market Committee, and a $450m bond issue by Southwestern Bell for which a yield of around 9.70 per cent is indicated marking a new high for Bell yields in this interest rate cycle.

Precluding the FOMC meeting, the latest money supply figures rose sharply last week for the first time in two months. M1 by $3.7bn and M2 by $2.9bn. But the long term trends still fall within what are believed to be the Fed's target range, and economists attach little significance to the rise.

More telling was the sharp drop in February housing starts, to an annual rate of just over 1.4m units, the lowest for nearly three years, and the Fed's announcement that industrial output rose only 0.3 per cent in February.

The February consumer price index is due out this week, and though no one expects it to be anything but bad, it is bound to have a depressing effect on the bond markets.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 5¾ 88	15	87½	88½	0	+0¼	7.56
Australia 5.6 83	30	96½	97½	0	−0½	6.48
Australia 6⅞ 88	20	93½	94½	0	−0⅛	7.57
BFCE 6.4 90	30	91	92	0	−0¼	7.67
Finland 5.6 83	10	95½	96¼	0	+0⅛	6.76
Finland 6.8 88	10	93½	94½	0	0	7.83

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Rank O/S Hold. 11½ AS	12	94½	95½	0	0	13.05
Auto Cote B. 7 93 EUA	16	91½	92¼	−0¼	−0¼	7.83
Komm. Inst. 7½ 93 EUA	15	97½	98¼	0	+0¼	7.73
Panama 8¼ 93 EUA	20	94¼	98	0	+0½	8.82
SDR France 7 93 EUA	22	94¼	95½	−0⅛	+1⅛	7.61
Algemene Bk. 6¾ 83 Fl	75	94¼	95¼	−0⅛	+0¼	7.69
CFE Mexico 7¼ 83 Fl	75	96⅞	96⅞	0	−0⅛	8.15
EIB 7¼ 85 Fl	75	94½	95¼	0	−0¼	8.28
New Zealand 6¾ 84 Fl	75	94½	95½	−0⅛	−0½	7.99
Norway 8¼ 84 Fl	100	100¾	101½	+0¼	+0⅛	7.87
Elf Aquitaine 9¾ 88 FFr	150	98½	99¼	0	−0¼	9.90
EIB 9¾ 88 FFr	200	99	99½	0	−0¼	9.86
Norway 9½ 84 FFr	200	99¼	100	0	0	9.34
PSA Peugeot 9¾ 87 FFr	175	99½	99⅞	0	+0⅛	9.81
Unilever 10 85 FFr	100	101⅛	101⅞	0	0	9.66
CECA 9¾ 89 £	20	87	87¾	−0¼	−0⅛	11.85
Citicorp 10 93 £	20	86⅞	87⅞	0	−0⅛	11.92
EIB 9¾ 88 £	25	90	90¾	+0⅛	0	11.53
Finance for Ind. 13 91 £	15	101	101¾	−0⅛	−0⅛	12.77
Fisons 10½ 87 £	10	90½	91¼	−0⅛	−1	11.97
BAT 8 88 LuxFr	250	97¼	98¼	+0¼	+0⅛	8.34
Bayer Lux. 8 86 LuxFr	250	97⅞	98⅞	+0¼	+0½	8.29
EIB 7¾ 88 LuxFr	250	96⅞	97⅞	0	+0⅛	8.15
Finland I. F. 8 88 LuxFr	250	97¼	98¼	0	0	8.37
Norway 7¾ 83 LuxFr	250	97¼	98¼	0	0	8.33
Norges Km. 8 86 LuxFr	500	99	100	0	+0¼	8.08
Renault 7¾ 88 LuxFr	500	96⅞	97⅞	0	+0¼	8.15
Solvay Fin. 8 85 LuxFr	500	100	101	0	+0½	7.89
Swedish Bk. 8 88 LuxFr	500	99¼	100¼	0	+0½	8.03

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Arab Intl. Bank M6.5 83	0¼	96½	96¾	31/7	11.44	11.87
BFG Fin. Co. M5.5 89	0¼	98½	99	12/7	12.4	12.56
Bco. El Salvador M8 83	1⅛	97½	98	12/4	11.31	11.57
Bco. Nac. Argnt. M8 83	0¾	99½	100	21/7	12¼	12.28
Banco Urquijo 6 85	0¼	97¾	98¼	21/3	—	—
Bank of Tokyo M5½ 93	0¼	97½	98	18/4	10½	10.74
Banque Worms M5¾ 85	0¼	98¼	98¾	15/6	12	12.18
Bq. E. d'Alg. M8.375 84	0¾	96⅞	97½	9/8	11⅞	12.27
Bq. Ext. d'Alg. M7.5 85	0⅞	95¼	95¾	2/5	12¾	13.35
Bq. Indo et Suez M5½	0¼	99	99½	25/7	12	12.09
Bq. I. Af. Occ. M6.5 83	0¼	97¾	98¼	12/7	12.4	12.65
BNP 5½ 91	0¼	97⅝	98⅛	22/2	11⅜	11.62
CCCE M5.25 98	0¼	97½	98	3/8	11⅜	11.64
Ch. Man. O/S M5¾ 93	0⅜	97½	98	27/7	11.72	11.99
Credit National M5¾ 88	0¼	98⅛	98⅝	1/7	12.31	12.50
Gotabanken M6 88	0¼	98¼	98¾	15/5	12.31	12.50
Ind. Bk. Japan M5½ 85	0¼	99⅝	100⅛	1/6	12.35	12.37
Ljubljanska M7.75 85	1	96⅞	97⅜	18/7	12.94	13.30
LTCB Japan M5⅞ 85	0¼	99¼	99¾	9/5	12.06	12.12
Midland Intl. M5½ 93	0¼	98⅝	99⅛	20/7	12¼	12.39
Nat. West. M5½ 90	0¼	99	99½	21/6	12⅜	12.59
Nipp. Crdt. Bk. M5.5 85	0¼	99¾	100¼	22/6	12.81	12.81
OKB M5¾ 88	0¼	99¾	100¼	18/4	10.56	10.56
Offshore Mining 86	0¼	98⅞	99⅜	19/7	12.19	12.30
Petro Mexicano 7¼ 84	0¼	98¾	99¼	24/7	12.06	12.18
Privredna Banka M8 88	0⅞	95¾	96¼	22/6	13.44	13.98
Standard Chrt. M5.5 90	0¼	97¼	97¾	10/8	11.56	11.86
Sundsvallsbnkn. M6 85	0¼	97¼	97¾	4/4	10.06	10.32

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Asics 5¾ 93	9/78	628	88½	89½	0	5.18
Baker Int. Fin. 5½ 93	1/79	34	110½	111½	+0½	3.88
Boots 6¾ 93	2/79	2.16	104¼	105¼	+0⅞	−5.34
Ciba-Geigy O/S F. 4 94	9/79	675	93⅞	94⅝	+0⅜	−13.81
Coca-Cola Bottling 6¾	4/79	9	84½	85¼	−0¼	22.76
Honda Motor 5½ 89	5/79	532	90½	91¼	+0¼	2.71
Ito-Yokado 5¾ 93	6/78	1339	113½	114	−1	−0.74
Novo Industri 7 89	4/79	259	90½	92	+0⅛	10.19
Texas Int. Air. 7½ 93	4/79	14.5	91	92	−0½	10.56
Thorn Int. Fin. 7 88	11/78	3.67	109⅞	110⅝	+0¾	−2.83
Tyco Int. Fin. 8½ 88	9/78	21	100½	101¼	−1⅛	12.98
Asahi Optical 3½ DM	12/78	585	96¼	96⅞	+0⅛	3.32
Casio Cp. 3½ 85 DM	11/78	841	93	93¾	+0⅛	9.75
Izumiya 3½ 86 DM	10/78	989	89¾	90½	+1⅛	14.18
Jusco 3½ 86 DM	1/79	1154	83⅞	89⅞	+0¼	22.98
Kansai Elec. 4 84 DM	4/79	1350	91⅞	92⅞	0	10.75
Konishiroku 3½ 85 DM	1/79	612	90⅞	91⅞	+1⅛	11.97
Marudai Food 3½ DM	2/79	1033	89¼	90¼	+0½	26.92
Murata M. 3½ 86 DM	11/78	854	96⅞	98¼	+0⅛	0.17
Nipp. Air. 3.5 88 DM	12/78	508	86½	87½	+0½	1.49
Nippon Shinpan 3¾ DM	8/78	738	96	97¼	−0⅛	0.10
Nippon Ysn. 3½ 85 DM	1/79	251	92⅞	93⅞	+0⅛	6.56
Nissan Diesl. 3½ 88 DM	2/79	477	89¼	90⅛	+0⅛	9.71
Olymp. Opt 3½ 85 DM	2/79	703	99¼	100¼	+0⅛	0.25
Ricoh 3½ 86 DM	10/78	617	92⅞	93⅞	+0¼	15.00
Sanyo Electric 3½ DM	11/78	295	90	91	+0½	1.42
Sharp Co. 3½ 88 DM	2/79	487	92¾	93⅛	+0⅞	−0.20
Stanley Elec. 3½ DM	11/78	623	89½	90½	+0⅛	26.14
Tokyo Elec. 3½ 87 DM	4/79	476	92¼	93¼	+1½	4.38
Tokyu Ld Cp. 4 86 DM	4/79	493	90⅛	91⅛	−0½	6.17
Trio-Knwd. 3½ 86 DM	11/78	711	86	87	+0½	32.62

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
March 16	n.a.		n.a.	
March 9	96.13	8.67	88.77	9.42
High '79	96.75 (1/2)		89.99 (30/1)	
Low '79	94.40 (11/1)		88.67 (28/2)	

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	576.4	1,678.0
Previous week	1,765.8	1,813.4
Other bonds		
Last week	291.1	405.0
Previous week	296.1	305.6

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Bondtrade; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Krediet Bank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on March 16

Offer
by
The Woodbridge Company Limited
and
Thomson Equitable (International) Limited
to holders of ordinary shares of
Hudson's Bay Company
to purchase 11,785,000 (51%) of the outstanding ordinary shares at a price of
$31.00 (Canadian) per share

In respect of ordinary shares held by shareholders of Hudson's Bay Company with registered addresses in the United Kingdom the offer is being made on behalf of The Woodbridge Company Limited and Thomson Equitable (International) Limited by S. G. Warburg & Co. Ltd. and Wood Gundy Limited.

Beneficial owners of ordinary shares of Hudson's Bay Company whose shares are registered in a nominee or marking name can obtain additional copies of the offer document and acceptance form during normal business hours on any weekday (Saturdays excepted)

from

S. G. Warburg & Co. Ltd.,
30 Gresham Street,
London EC2P 2EB

Wood Gundy Limited,
30 Finsbury Square,
London EC2A 1SB

The Royal Trust Company,
Royal Trust House,
54 Jermyn Street,
London SW1Y 6NQ

19th March, 1979.

This advertisement is issued by S. G. Warburg & Co. Ltd. and Wood Gundy Limited on behalf of The Woodbridge Company Limited and Thomson Equitable (International) Limited

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Derby Trust, Portman Hotel, Portman Sq., W. 12
Great Northern Invst. Trust, [illegible], Glasgow, 12
Wiggins Teape, Gateway House, Basing View, Basingstoke, Hants. 12.45

BOARD MEETINGS—
Finals:
Expanded Metal
Fisher (James)
[illegible]
Interims:
Barratt Devs.
Chambers and Fargus
Harrisons Malaysian Ests.
Medminster

DIVIDEND & INTEREST PAYMENTS—
[illegible]

TOMORROW

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

WEDNESDAY, MARCH 21

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

THURSDAY, MARCH 22

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

FRIDAY, MARCH 23

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

SATURDAY, MARCH 24

DIVIDEND & INTEREST PAYMENTS—
[illegible]
Trafalgar House Lns. 4. 4¼pc

The Week in Parliament

TODAY

COMMONS: Debate on motion to take note of the Government's expenditure plans, 1979-1980 to 1982-83. Consideration of Lords amendments to the Social Security Bill.

LORDS: Confirmation to Small Estates (Scotland) Bill, second reading. Estate Agents Bill, committee stage. Ancient Monuments and Archaeological Areas Bill, report. Motions to approve legal aid orders. Debate on oil pollution in the sea area north of the Scottish mainland.

SELECT COMMITTEE: Public Accounts. Witnesses: Department of Education and Science, Agricultural Research Council, Department of Agriculture and Fisheries for Scotland. Room 16, 4.45 p.m.

TOMORROW

COMMONS: Proceedings on the Administration of Justice (Emergency Provisions) Scotland Bill. Motions on EEC documents on energy policy.

LORDS: Kiribati Independence Bill, report. Banking Bill, committee stage. Debate on the 11th report of the EEC on State aids for steel.

SELECT COMMITTEE: Joint Committee on Statutory Instruments. Room 4, 4.15 p.m.

WEDNESDAY

COMMONS: Debate on the report of the Shackleton Committee. Motion on the Prevention of Terrorism (Temporary Provisions) Act 1976 (Continuance) Order.

LORDS: Short debates on the Strutt report on agriculture and the countryside, and on the second land utilisation survey. Licensed Premises (Exclusion of Certain Persons) Bill, committee stage.

SELECT COMMITTEE: Expenditure, Trade and Industry Sub-Committee. Subject: UK domestic air fares. Witnesses: British Airports Authority. Room 16, 10.15 am. Nationalised Industries, Sub-Committee B. Subject: Report and Accounts. Witnesses: British Shipbuilders. Room 8, 10.45 am. Public Accounts. Subject: Report of the Procedure Committee. Witness: Comptroller and Auditor General. Room 16, 4 pm. Expenditure, Social Services and Employment Sub-Committee. Subject: Perinatal and neonatal mortality. Witnesses: Faculty of Community Medicine; Health Education Council. Room 6, 4.30 pm. Nationalised Industries, Sub-Committee E. Subject: Ministers, Parliament and the Nationalised Industries. Witnesses: R. L. E. Lawrence, chairman of the National Freight Corporation; Sir Robert Marshall, chairman of the National Water Council. Room 8, 4 pm. Nationalised Industries Sub-Committee D. Subject: Consumers and the Nationalised Industries. Witness: Mr. Roy Hattersley, Prices Secretary. Room 7, 4 pm. European Legislation. Subject: EEC Agricultural Prices 1979. Witness: Mr. John Silkin, Minister of Agriculture. Room, 4.15 pm. Unopposed Bills. Ipswich Port Authority. Room 8, 4 pm.

THURSDAY

Commons: Road Traffic (Seat Belts) Bill, second reading. Motion on Firearms (Variation of Fees) Order.

Lords: Consolidated Fund Bill, all stages. Vaccine Damage Payments Bill, third reading. National Heritage (formerly Land) Fund (No. 2) Bill, third reading. Conservation of Wild Creatures and Wild Plants (Amendment) Bill.

FRIDAY

Commons: Private Members' motions.

Ultramar Company Limited

1978 A year of achievement

Preliminary Announcement of 1978 Group Results

Summary of financial results	1978 £000	1977 £000	Increase £000
Operating profit before taxation	37,786	24,709	13,077
Operating profit after taxation	16,231	12,598	3,633
Profit after taxation and foreign exchange fluctuations	10,762	8,475	2,287
Cash flow from operations	31,632	26,744	4,888
Capital expenditures	45,514	14,355	31,159

Outlook for 1979
There are many political and economic uncertainties in the immediate future. A new situation has been created by the Iranian crisis which caused an industry wide curtailment of crude oil supplies and sharp price increases in some areas. It is too early to judge how this will affect Ultramar. Nevertheless, we have strengthened ourselves in some important areas and we expect 1979 to be a successful year for Ultramar.

Proposed Share Distribution
It is proposed to recommend again to Ordinary Shareholders a Share distribution. At the forthcoming Annual General Meeting a resolution will be submitted for an issue to Ordinary Shareholders of one Ordinary Share of 25p credited as fully paid for every 15 Ordinary Shares of 25p held at the close of business on 1st June 1979.

Upon issue the Shares will rank *pari passu* with existing Ordinary Shares. The distribution will be provided by capitalizing a sum drawn from share premium account. Shares representing fractions will be allotted to trustees and sold and the proceeds will be distributed to the Ordinary Shareholders entitled to such fractions.

Share certificates, which will be renounceable up to and including 27th July 1979 will be posted on 29th June 1979. Application will be made for listing of the shares and it is expected that dealings in London will commence on 2nd July 1979.

Cash Dividends
Your Directors propose in November next, to pay an interim dividend in respect of 1979 of 5p per share on the Ordinary Shares as increased by the above mentioned 1 for 15 share distribution. Your Directors expect to be able to follow this interim dividend by a recommendation that a final dividend for 1979 of 5p per share be declared at the Annual General Meeting in 1980.

The Year 1978
Despite adverse exchange effects, cash flow from operations and operating profit, both before and after taxation, expressed in sterling terms are the highest in Ultramar's history. The major contributor was our Indonesian operation with its first full year of profits from LNG sales. Satisfactory profits were also made in our California, Newfoundland, and Western Canadian operations. In our Eastern Canadian mainland operations, however, product prices were at times at levels which did not yield a profit margin and the situation was further aggravated by the weakness of the Canadian dollar, increased tanker rates in the last quarter, uncertainty of crude deliveries resulting from the Iranian crisis and sharply higher interest rates. The UK Marketing Company did well in the first half of 1978 but had a disappointing second half in line with the experience of UK marketers generally.

Capital expenditure for 1978 was £22,953,000 (apart from the acquisition of Canadian Fuel Marketers dealt with later in the announcement) compared with £14,355,000 in 1977. The increase is mainly due to more substantial programmes of exploration and development in Indonesia and Western Canada and of exploration in the UK North Sea. The exploration programme in Indonesia in 1978 and continuing in 1979 is designed to establish additional gas reserves for the expansion of the Badak LNG plant.

All three refineries of the Group operated well throughout 1978. Total refinery runs averaged 105,000 barrels per day compared with 111,000 barrels per day in 1977. The decline was due to lower runs in the Quebec Refinery which averaged 80,000 barrels per day compared with 88,000 barrels per day in 1977.

Other significant financial and operational events in 1978 and up to the date of this announcement are as follows:

(1) The development of the UK North Sea Maureen Field in which we have a 6% interest is now proceeding. Initial production is expected to start in the last quarter of 1981 or early 1982 at a rate of 75,000 barrels per day. The cost of development of this field is estimated at £300 million of which our share is £18 million. We plan to finance this requirement partly by way of loan and partly out of our cash flow from operations.

(2) We have a 25% interest in a consortium with British National Oil Corporation and Charterhouse Petroleum Development Limited, which has reached agreement in principle for the purchase of Ashland Oil (GB) Limited which has a working interest of 5.4295% in the UK North Sea Thistle Field. The price for this purchase by the consortium is US$94.5 million which will be financed mainly by the assumption of existing loans.

(3) We formed a North Sea exploration group with PanCanadian Petroleum Limited and Houston Oils and Minerals Corporation and made applications for North Sea blocks in the sixth round of bidding. Ultramar is the operator of this group and each of the companies in the group has a one-third interest. Applications for North Sea blocks have also been made by the Phillips consortium in which we have a 6% interest and for blocks in the South Western Approaches by a consortium consisting of Murphy Petroleum Limited, Ocean Exploration Company Limited and ourselves in which we have a 25% interest.

(4) In Egypt we have taken a 50% interest in new exploration concessions covering two blocks totalling 1,062,000 acres located between Alexandria and El Alamein. We have also taken a 25% interest in an existing concession of 1,285,000 acres called the Mariut Block, which lies between the above mentioned two blocks. It is planned to drill two wells in the Mariut Block in the summer of 1979.

(5) We have completed engineering and feasibility studies for the modernisation of the California Refinery and its conversion to a 40,000 barrels per day sophisticated plant which will maximise unleaded gasoline production. All necessary construction permits have been obtained from the various zoning and environmental agencies. We are now investigating the availability of finance for this project.

(6) By far the most significant event for Ultramar during this period has been the acquisition of Canadian Fuel Marketers Ltd, a large and successful marketing organisation selling about 90,000 barrels per day of residual fuels, asphalt, heating oils and gasoline, mainly in the provinces of Ontario and Quebec. The consideration for this purchase was Canadian $54 million paid on 31st January last from existing resources of the Ultramar Group. The background and benefits of this acquisition and the position as to our plans for the sophistication of the Quebec Refinery are all dealt with in a letter to shareholders which is being posted to them at the same time as this Preliminary Announcement.

The acquisition became unconditional on 22nd December 1978 and accordingly the assets and liabilities of Canadian Fuel Marketers Ltd at 31st December 1978 will be incorporated in the Consolidated Balance Sheet of Ultramar at that date. They are also dealt with in the Consolidated Statement of Source and Application of Funds which forms part of this Preliminary Announcement.

No part of Canadian Fuel Marketers' profits for the year 1978 has been included in Ultramar's Group profits for that year.

The Directors' Report and Statement of Accounts for the year ended 31st December 1978 and the Chairman's Statement will be issued on 20th April 1979 and the Annual General Meeting will be held at 11.30 a.m. at Winchester House, 100 Old Broad Street, London EC2N 1BU, on Friday, 1st June 1979.

Campbell L. Nelson

Group results for the year to 31st December 1978

Consolidated profit and loss account

		1978 £000		1977 £000
Sales		£595,133		£472,682
Profit on trading		50,237		33,126
Amortization, depreciation, depletion and amounts written off		12,451		8,417
Operating profit before taxation		37,786		24,709
Taxation on operating profit:				
Current	13,226		3,632	
Deferred	8,329		8,479	
		21,555		12,111
Operating profit after taxation		16,231		12,598
Foreign exchange fluctuations – loss after tax effects		5,469		4,123
Profit after taxation and foreign exchange fluctuations		10,762		8,475
Deduct: Convertible Redeemable Preferred Shares dividend	1,050		1,059	
Advance Corporation Tax written off	808		—	
		1,858		1,059
Earnings attributable to Ordinary Shareholders		£8,904		£7,416
Cash flow from operations		£31,632		£26,744
Earnings per Ordinary Share				
before foreign exchange fluctuations		34.5p		27.8p
after foreign exchange fluctuations		21.4p		17.9p

Consolidated statement of source and application of funds

		1978 £000		1977 £000
Source of funds				
From operations:				
Operating profit after taxation		16,231		12,598
Amortization, depreciation, depletion and amounts written off		12,451		8,417
Deferred taxation on trading profits		8,329		8,479
Indonesian debt service equalisation (Note 5)		(6,856)		(2,938)
Loss on sale of fixed assets		1,477		188
Cash flow from operations		31,632		26,744
From other sources:				
Long term portion of US$75 million loan raised	28,824			
Less: prepayment of existing US$25 million loan	9,314			
		19,510		—
Other long term loans raised		135		1,006
Proceeds on disposal of fixed assets		1,983		1,364
Net current assets of subsidiaries acquired		13,230		—
		66,490		29,114
Application of funds				
Acquisition of subsidiary companies	22,561		1,476	
Additions to fixed assets	22,953		12,879	
Capital expenditures	45,514		14,355	
Portion of long term debt now due within one year	4,823		9,430	
Convertible Redeemable Preferred Shares dividend including Advance Corporation Tax of £516,000 (1977 £548,000)	1,566		1,607	
Miscellaneous items	357		(468)	
		52,260		24,924
Increase in working capital		£14,230		£4,190
Working capital at 31st December 1978		£23,269		£9,310
Long term loans at 31st December 1978		£80,246		£54,784

Notes to Group Results

1 Group operating profits are largely in US and Canadian dollars.

2 Translation and conversion exchange rates used by the Group are:

	31st December 1978	31st December 1977
£1 equals US$	2.04	1.92
£1 equals Can. $	2.42	2.10
US$1 equals Can. $	1.19	1.09
US$1 equals Sw. Fr.	1.62	1.98

3 Taxation for 1978 was higher because of the increased proportion of earnings subject to Indonesian tax. This was due to a full year of liquefied natural gas deliveries in 1978 as compared with 1977 when deliveries were only commenced in August.

4 The loss on foreign exchange fluctuations of £5,469,000 during 1978 relates almost entirely to long-term loans of individual companies repayable over the years to 1993, and is due to the fall in values of the Canadian dollar against the US dollar and the US dollar against the Swiss franc since the beginning of the year. These are unrealised exchange adjustments made at the year end with the actual ultimate exchange loss or profit being dependent on the rates of exchange at the time of repayment.

5 The Group's entitlement to income from Indonesian LNG sales is included in the profit and loss account after deducting transportation, liquefaction costs and debt service on the loans raised by Pertamina to finance the whole of the construction cost of the Badak LNG Plant which is operated on a break even basis. In order to match income with these deductions, the Group's entitlement is adjusted to reflect an equal annual charge for debt service rather than the uneven repayment schedule established for the loans, all of which are repayable within a 12-year period starting in 1977. Effectively, therefore, the cost of the plant will be fully amortized by the end of 1989.

Operating results

	1978	1977
Sales of oil (barrels per day)	222,300	191,500
Oil refined (barrels per day)	104,400	111,400
Oil produced (barrels per day)	9,600	7,300
Gas produced (thousands of cubic feet per day)	188,900	60,300
Net acreage interest	3,125,000	4,499,000
Gross wells drilled	43	21
Oil and gas wells completed (in which the Group has varying interests)	22	19

Ultramar
2 Broad Street Place, London EC2M 7EP

هكذا من الأصل

AUTHORISED UNIT TRUSTS

Friends' Provdt. Unit Tr. Mgrs.

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a)(c)(g)

Hill Samuel Unit Tst. Mgrs. (a)

Investment Intelligence Ltd. (a)(g)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Lawson Secs. Ltd. (a)(c)

Legal & General Tyndall Fund

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

M & G Group (y)(c)(z)

Manulife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd. (a)

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt. (a)

Mutual Unit Trust Managers (a)(g)

National and Commercial

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a)(g)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a)

Practical Invest Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Rowan Unit Trust Mngt. Ltd. (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Scotbits Securities Ltd.

Schlesinger Trust Mngrs. Ltd. (a) (z)

J. Henry Schroder Wagg & Co. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.

Sebag Unit Tst. Managers Ltd. (a)

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd. (a) (g)

Target Tst. Mgrs. (Scotland) (a) (b)

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs. Co.

Tyndall Managers Ltd.

TSB Unit Trusts (y)

Ulster Bank (a)

Unit Trust Account & Mgmt. Ltd.

Wieler Growth Fund

INSURANCE AND PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Beehive Life Assur. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assur. Co. Ltd.

City of Westminster Assur. Soc. Ltd.

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life Assurance Co. Ltd.

Crusader Insurance Co. Ltd.

Eagle Star Insur/Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

General Portfolio Life Ins. C. Ltd.

Gresham Life Ass. Soc. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assurance Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Bk. Unit Tst. Mngrs. Ltd.

Lloyds Life Assurance

London & Manchester Ass. Gp.

London Indemnity & Gnl. Ins. Co. Ltd.

M & G Group

Merchant Investors Assurance

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd.

Phoenix Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capitol Life Ass. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Widows' Group

Solar Life Assurance Limited

Sun Alliance Fund Mangmt. Ltd.

Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (UK) Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

OFFSHORE AND OVERSEAS FUNDS

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Arbuthnot Securities (C.I.) Limited

Australian Selection Fund NV

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn Int. (Ch. Is.) Ltd.

Barclays Unicorn Int. (I.o.Man)

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Tst. Mngmt. (CI) Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

Capital International S.A.

Charterhouse Japhet

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

The English Association

Eurobond Holdings N.V.

F. & C. Mgmt. Ltd. Inv. Advisers

Fidelity Mgmt. & Res. (Bda.) Ltd.

Fidelity Mgmt. Research (Jersey) Ltd.

First Viking Commodity Trusts

Fleming Japan Fund S.A.

Free World Fund Ltd.

G.T. Management Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

Hambro Pacific Fund Mgmt. Ltd.

Hambros Fd. Mgrs. (C.I.) Ltd.

Henderson Baring Fund Mgrs. Ltd.

Hill-Samuel & Co. (Guernsey) Ltd.

Hill Samuel Invest. Mgmt. Intnl.

International Pacific Inv. Mgmt. Ltd.

J.E.T. Managers (Jersey) Ltd.

Jardine Fleming & Co. Ltd.

Keyser Ullmann Ltd.

King & Shaxson Mgrs.

Kleinwort Benson Limited

Lloyds Bk. (C.I.) U/T Mgrs.

Lloyds Bank International, Geneva

Management International Ltd.

M & G Group

Samuel Montagu Ldn. Agents

Murray, Johnstone (Inv. Adviser)

Nat. Westminster Jersey Fd. Mgrs. Ltd.

Negit S.A.

Negit Ltd.

Pacific Basin Fund

Phoenix International

Quest Fund Mngmnt. (Jersey) Ltd.

Richmond Life Ass. Ltd.

Rothschild Asset Management (C.I.)

Rothschild Asset Mgt. (Bermuda)

Royal Trust (C.I.) Fd. Mgt. Ltd.

Save & Prosper International

Schlesinger International Mngt. Ltd.

Schroder Life Group

Schroder Mngt. Services (Jersey) Ltd.

J. Henry Schroder Wagg & Co. Ltd.

Sentry Assurance International Ltd.

Singer & Friedlander Ldn. Agents.

Stronghold Management Limited

Surinvest (Jersey) Ltd. (x)

TSB Unit Trust Managers (C.I.) Ltd.

TSB Gilt Fund Managers (C.I.) Ltd.

Tokyo Pacific Holdings N.V.

Tokyo Pacific Hldgs. (Seaboard) N.V.

Tyndall Group

Utilico Assurance (Overseas) Ltd.

Union-Investment-Gesellschaft mbH

Utd. Intnl. Mngmnt. (C.I.) Ltd.

United States Tst. Intl. Adv. Co.

S. G. Warburg & Co. Ltd.

Warburg Invest. Mngt. Jrsy. Ltd.

World Wide Growth Management

Wren Commodity Trust

NOTES

هكذا من الأصل

MOTOR CARS

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Daily Mail Ideal Home Exhibition (01-353 4000) (until March 31)	Earls Court
Current	British International Footwear Fair (01-739 3817) (until March 20)	Exbn. Centre, Birmingham
Current	Toy Fair (04252 72711) (until March 21)	Brighton Centre
Current	Scottish Business Show (031-229 6412) (until March 23)	Kelvin Hall, Glasgow
Mar. 20—22	International Public Address Equipment Exhibition—Sound (Slough 39455)	Cunard International Hotel
Mar. 21—22	EIA Engineering Exhibition (01-222 2867)	Sandown Park, Esher
Apr. 2—5	London Fashion Exhibition (01-385 1200)	Olympia
Apr. 2—6	The Scottish Hotel, Catering and Licensed Trade Exhibition (031 229 6412)	Kelvin Hall, Glasgow
Apr. 3—6	Leatherwear International (01-385 1200)	Olympia
Apr. 6—17	Birmingham Motor Show (0602 51202)	Bingley Hall
Apr. 9—14	Ideal Homes Exhibition (031 225 9657)	Assembly Rooms, Edinburgh

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Light Industries and Handicrafts Fair (01-486 1951) (until March 25)	Munich
Current	International Fair (01-248 5757) (until March 31)	Cairo
Mar. 21—26	International Bicycle and Motorcycle Exhibition	Zurich
Mar. 24—Apr. 2	International Fair	Lyons
Mar. 25—29	The Middle East Oil Show	Bahrain
Mar. 31—Apr. 9	Europain '79 (01-439 3964)	Paris
Apr. 1—8	Toys and Games Trade Show—BELJOUETS	Brussels

BUSINESS AND MANAGEMENT CONFERENCES

Mar. 19—20	AMR International: Time Management (01-262 2732)	Churchill Hotel, W1
Mar. 19—Apr. 6	Management Centre Europe: Management Course	London
Mar. 19—22	LAMSAC: The Best Use of Resources (01-828 2333)	Royal Hotel, Scarborough
Mar. 19—23	National Engineering Laboratory: Principles and Practice of Flow Measurement (East Kilbride 20222)	Glasgow
Mar. 20	Institute of Directors: Annual Convention	Royal Albert Hall
Mar. 20—22	RRG: International Captive Insurance Companies Conference (01-236 2175)	Bermuda
Mar. 20	CBI/IPBA: India 1979 (01-930 6711)	Tothill Street, SW1
Mar. 21—22	FT Conference: Tomorrow in World Electronics (01-236 4382)	Grosvenor House, W1
Mar. 21	The Institute of Chartered Accountants: The Measurement and Rewarding of Productivity (01-628 7060)	Grand Hotel, Manchester
Mar. 21	ESC: The World of Microprocessors (057282 2711)	Hyde Park Hotel, W2
Mar. 21—23	Brunel Institute: Management of remuneration and motivation (0895 56461)	Uxbridge
Mar. 22—June 7	IPM: Industrial Relations Law: The impact of current legislation (01-387 2844)	Upper Woburn Place, WC1
Mar. 22—23	CICC: Urban Planning and Public Transport (0602 813078)	University of Nottingham
Mar. 25—30	University of Bradford Management: Field Sales Management (Bradford 42299)	Heaton Mount, Bradford
Mar. 26—30	The Centre for Professional Advancement: Powder Technology	Amsterdam
Mar. 26	CAM/CDT: The Law in relation to Communications, Advertising and Marketing (01-839 1547)	Leicester Square, WC2
Mar. 26—27	Oyez/IBC: Resisting Contractors' Claims in the Construction (01-242 2481)	Europa Hotel, W1
Mar. 26—27	IHR Hotel Interiors, Specifying the Design and Furnishing Need (Redhill 68611)	Hilton Hotel, W1
Mar. 27	CCC: Capital Gains Tax (01-222 6362)	Royal Lancaster Hotel, W2
Mar. 27—28	ROSPA/ Fuel and Metallurgical Journals: Health and Safety in the Metal Processing Industries	Hyde Park Hotel, SW1
Mar. 27	AGB: Doing Business with South Korea (01-353 3651)	Cafe Royal Hotel, W1
Mar. 27—29	CAM Foundation: Writing for Effective Sales Promotion (01-828 2771)	Quaglino's W1
Mar. 27	GIM: Participation and Industrial Society (0788 812125)	Ruislip, Middlesex
Mar. 28—30	IGC: Ink Jet Printing: Update and Outlook for Technology, Applications and Markets	Amsterdam
Mar. 29	The Conference Board in Europe: Midyear international financial and economic outlook	Hilton Hotel, W1
Mar. 30	CCC: Retention of Title after Monsanto—Romalpa overturned? (01-493 1232)	Europa Hotel, W1
Mar. 30	LCCI: Ohio Winter Seminar (01-248 4444)	Cannon Street, EC4
Mar. 30	Lloyds of London Press: Waybills and Short Form Documents (01-353 1000)	London Press Centre
Apr. 1—28	BTSC: Senior Management Course (04862 5444)	Woking, Surrey
Apr. 2	AMR International: Interviewing Skills and Techniques for Executives (01-262 2732)	Royal Garden Hotel, W8
Apr. 2	ESC: Important Developments in the Protection of Industrial Designs (057 282 2711)	Hilton Hotel, W1
Apr. 2—4	ASM: Managing and Controlling R and D projects (01-385 1992)	RAC Club, SW1
Apr. 3	Executant Conferences: Justifying and Selecting Automatic Test Equipment (0494 33171)	Hotel Russell, WC2
Apr. 3—5	Energy Utilisation and Conservation Conference (01-637 2400)	Royal Lancaster Hotel, W2
Apr. 3	NTIS: Information Services (0420 84300)	American Embassy

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CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

Interest Due	Stock	Price £	Last xd	Div % Gross	Red. Yield
—	Antofagasta Rly....	22	8.71	—	—
1J 1J	Do. 5pc Pref.....	40	13.11	—	—
1J 1J	Chilean Mixed.....	98	2.10	—	f3.10

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 39¼% (based on US$2.0350 per £)
Conversion factor 0.7177 (0.7164)

CANADIANS

S.E. List Premium 39¼% (based on $2.3883 per £)

BANKS AND HIRE PURCHASE

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's	P/E
—	F. C. Finance...	70	16.10	†2.03	2.8	4.3	13.4
—	First Nat. 10p...	7½	9.74	—	—	—	0.5
—	Do. Wrrts. 75/83	2¾	—	—	—	—	—
—	Fraser Ans. 10p	15¼	8.76	—	—	—	—
June Dec.	Gerrard Natnl....	220	30.10	g9.12	—	6.2	—
May Nov	Gibbs (A.)........	57	2.10	2.23	—	5.8	—
Mar. Aug.	Gillett Bros. £1.	243	26.2	16.95	—	10.4	—
June	Goode D'l Mry.5p	25xd	12.3	0.25	—	1.5	—
Nov. April	Grindlays.........	127xd	12.3	3.07	7.5	3.6	3.9
April Oct.	Guinness Peat ..	112	12.2	H5.67	—	7.6	—
Dec. July	Hambros	220	27.11	†9.76	—	6.6	—
Dec. July	Hill Samuel	105	13.11	†4.97	—	7.1	—
—	Do. Warrants..	230	—	—	—	—	—

BANKS & HP—Continued

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

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INDUSTRIALS—Continued

INSURANCE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

FINANCE, LAND—Continued

INSURANCE

LEISURE

MOTORS, AIRCRAFT TRADES

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TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

CENTRAL AFRICAN

MINES—Continued

AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

Feb.	Aug.	Buffels R1	$12⅝	2.1	Q190c	ϕ	17.3
Aug.	Feb.	East Drie R1	$10¾	2.1	Q115c	ϕ	12.4
Aug.	Feb.	East Rand Prp. R1	430	2.1	Q10c	—	—
June	Dec.	F.S. Geduld 50c	$22⅛	30.10	Q315c	2.4	16.4
June	Dec.	Pres. Brand 50c	$14¼	30.10	Q150c	3.2	12.1
May	Nov.	St. Helena R1	$14⅛	2.10	Q190c	1.4	15.5
Aug.	Feb.	Stilfontein 50c	570c	2.1	Q66c	2.3	13.4
Aug.	Feb.	Vaal Reefs 50c	$23½#	29.1	Q280c	ϕ	13.7
Feb.	Aug.	West Drie R1	£32½	2.1	†Q385c	1.7	15.6
June	Dec.	West Hldgs. 50c	$26¼	2.5	Q415c	1.4	18.2
Feb.	Aug.	Western Deep R2	£11⅞	29.1	Q147½c	2.4	14.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- II No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stay unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 29

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26½	......
Ash Spinning	107	......
Bertam	27	......
Bdg'wtr. Est. 50p	360	......
Clever Croft	28	......
Craig & Rose £1	930	......
Dyson (R. A.) A	35	......
Ellis & McHdy	69	......
Evered	26	......
Fife Forge	54xd	+2
Finlay Pkg. 5p	20½	......
Graig Ship. £1	142	......
Higsons Brew	75	......
Holt (Jos) 25p	269	−1
I O M. Stm £1	178xr	......
Pearce (C. H.)	203	......
Peel Mills	26	......
Sheff. Refrshmt	74	......
Sindall (Wm.)	120	......

IRISH

Conv. 9% '80/82	£90½	......
Alliance Gas	110	......
Arnott	400	......
Carroll (P.J.)	110	......
Clondalkin	97	+1
Concrete Prods.	90xc	......
Heiton (Hldgs.)	59	−2
Ins Corp	180	......
Irish Ropes	105	......
Jacob	40	−1
T.M.G.	248	+13
Unidare	85	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	6½	I.C.I.	20	Unilever	35
BOC Intl.	6	"Imps"	6	U D.T.	4
B.S.R.	8	I.C.L.	40	Utd. Drapery	7½
Babcock	11	Inveresk	7	Vickers	15
Barclays Bank	25	KCA	3	Woolworths	5
Beecham	32	Ladbroke	14	**Property**	
Blue Circle	18	Legal & Gen.	14	Brit. Land	3¼
Boots	15	Lex Service	7	Cap. Counties	4½
Bowaters	14	Lloyds Bank	22	E.P.	3½
B.A.T.	24	"Lots"	4	Intreuropean	5
Brown (J.)	33	London Brick	6	Land Secs.	16
Burton 'A'	16	Lonrho	5		
		Lucas Inds.	25		

FINANCIAL TIMES
Monday March 19 1979

Iran will halt corruptly-made deals

BY ANTHONY McDERMOTT IN TEHRAN

THE ISLAMIC Government of Iran will not honour any contracts in which evidence of corruption has been found, warned Mr. Ali Akbar Moinfar, the Minister of State for the Planning and Budget Office.

He condemned the bribery involved in obtaining contracts in the past. He said: "This revolutionary government is not responsible for the wrong doing in the past."

Mr. Moinfar said his office's list of 500 or so foreign and local contractors would be revised. Previously, contracts were awarded either on a limited tender basis, on which essentially, the selection was made by computer, or through a private and restricted selection.

He appeared to prefer, on balance, private to public tendering, but said that both systems would be used.

It is clear, however, that economic planning since the revolution is still at a preliminary stage. Mr. Moinfar recently announced that the budget for 1979-80—starting March 21—would be done on a monthly basis, derived from last year's expenditure of $59.3bn.

He suggested that because an undefined number of the more extravagant projects, along with military expenditure, would be cut, next year's budget expenditure would more likely be in the region of 75 or 80 per cent of last year's, between $44.5bn and $47.4bn.

Expenditure would be concentrated on social welfare projects as low-cost housing, roads and power stations.

Mr. Moinfar said there would be considerable concentration on developing agriculture. Revenues would also be reduced because of a drop in income from customs duties.

The budget would probably now be run on a quarterly basis, and he hoped that after the first quarter the Planning and Budget Office would be in a position to draw up a nine-month budget for the rest of the year, and also establish which development projects would be continued, delayed or cancelled.

All projects were under review, he said, but "fantasy projects" and the more extravagant hotel complexes are the only specific items that he mentioned as being liable to cancellation.

He said the Government's intention was that there should be no balance of payments deficit in the coming fiscal year, and emphasised that Iran would not be seeking loans on the international money market.

Over the weekend, in his first major speech on the economy, Ayatollah Khomeini said in Qom that the "economic system is bankrupt." In particular, he stressed that agricultural production should be raised.

Iran trial, Page 2

Post Office may offer full job security to union

BY JOHN LLOYD

THE POST OFFICE may shortly make an unprecedented offer of security of employment, without a time limit, to the 120,000 plus members of the Post Office Engineering Union.

The two sides are negotiating a job security agreement, which will be part of a package of measures aimed at achieving progressive modernisation of the telecommunications network over the next ten years.

While the corporation has so far formally offered only a ten year no-redundancy agreement, the POEU believes that it will soon concede a no-limit clause because of the need to get full union co-operation in its modernisation programme.

Mr. Ted Webb, deputy general secretary of the union, said: "It is expected that an agreement which would embody these various objectives will result from our negotiations."

In return for such a guarantee, and subject to the agreement of its annual conference in June, the union would undertake to accept a substantial amount of job relocation and retraining to keep pace with rapidly changing technology and demand patterns.

The agreement is being negotiated following two studies, one made by the Post Office, one by the union, of the impact of new, especially microelectronic technology on telecommunications, and its effect on employment.

Talks on employment guarantees started last year, when the corporation suggested a five-year limit, which was rejected. Following the union's industrial action last September, talks on an agreement were restarted.

At the same time, the corporation had completed its study, published internally and known as the Yellow Book, in which it shows employment for union grades remaining relatively stable over the next 10 years, though rising slightly in the next two years and dipping slightly towards the end of the 1980s.

Because of this study, the corporation was able to increase its offer on the job security agreement to 10 years.

However, the union's study, now being considered by its executive, stresses the need for a far-reaching programme of modernisation and of marketing. In return for co-operation in this programme, the union wants no limit placed on its members' security of employment.

Mr. Webb said: "We have emphasised strongly to the Post Office the importance which we attach to the successful conclusion of such an agreement because without it there would be the greatest difficulty in mounting any sensible and fruitful dialogue between the Post Office and the union on other aspects of modernisation."

Union officials believe that if successful, the agreement will be pioneering in two ways: first, because of the no-limit clause, and second, because the union will directly relate its continued health to the success and growth of the business in which its members work, and will seek to promote actively that business, a function generally regarded as a management one.

Gulf Oil pays Shell £29m to settle uranium deal dispute

BY DAVID FISHLOCK, SCIENCE EDITOR

ROYAL DUTCH Shell is to receive about $60m (£29.5m) from Gulf Oil to settle one contentious aspect of its nuclear partnership, which has seriously upset relations between the two companies since the mid-1970s.

This is the question of uranium contracts ante-dating the partnership they formed in 1973. These are currently the subject of complex litigation in U.S. courts.

Agreement has now been reached for the uranium and light water reactor fuel supply business of General Atomic—the joint Shell-Gulf nuclear company—to "be operated for the account and benefit of Gulf only."

Gulf is to pay $60m in compensation for loss of profits uranium contracts at the heart of the arguments. The settlement leaves intact all other General Atomic activities on a 50-50 basis.

Shell has been anxious to dissociate itself from the uranium contracts because of allegations since the partnership was formed that Gulf had been part of a cartel of uranium producers which fixed prices.

Gulf has consistently maintained that it participated in uranium talks with other producers only at the request of the Canadian Government. Nevertheless, it was convicted in 1977 and fined $40,000 in a U.S. anti-trust action.

The uranium issue emerged as the two partners were beginning to settle serious differences over the contracts for nuclear reactors signed by General Atomic before Shell's arrival. These have cost Shell about $300m.

Both issues have caused serious strains between the top executives of the two.

But the partners had strong incentives to settle their differences over the uranium contracts privately—not least of which was the fact that General Atomic is essentially a contract research organisation heavily dependent on U.S. Government funding.

For Gulf, the settlement means that it can fight its remaining court actions with its uranium and fuel customers without further reference to its nuclear partner. Any profit—and Gulf is confident that there will be profit—will now accrue to Gulf.

Ambulance and hospital staffs threaten to step up pay action

BY PAULINE CLARK, LABOUR STAFF

BRITAIN FACES a week of increasing disruption in public services as ambulancemen and hospital workers plan to step up industrial action over pay.

In addition, the two biggest Civil Service unions, with a combined membership of more than 330,000, are threatening a widespread stoppage on Wednesday if the Scottish Office carries out its plan to suspend 40 accounting staff in Edinburgh.

Both unions are issuing instructions today for a total stoppage in Scotland with mass protest rallies if the 40 are sent home for refusing to carry out the work of striking computer operators.

They are also asking for midday meetings of civil servants throughout the rest of the country when widespread action is expected if the suspensions go ahead.

It also seems unlikely that Government proposals to give nurses an extra £1 on account before comparability study will do much to quell their frustration over pay.

Cabinet Ministers are believed to have proposed £2 on account to the nurses plus a 9 per cent offer after last week's Commons debate on nurses pay.

The biggest two unions for nurses, the Royal College of Nursing and the Confederation of Health Service Employees, pointed out yesterday that there appeared to have been no movement on one of their main demands for the first tranche of payment from a comparability study this April on their usual pay anniversary, rather than in August as proposed for all public service workers.

More money "on account" would also do nothing to solve the problem of part-time hospital staff, including nurses, who would not qualify.

Indefinite strike

The National Union of Public Employees is continuing selective industrial action over pay among its hospital ancillary workers and ambulancemen in spite of agreement to accept the offer by other unions. It warned yesterday that the extra £1 on account for nurses could only increase militancy among those already taking action.

The union has already threatened to step up action by hospital workers this week in response to the Government's announcement last week that it would encourage hospitals to use volunteers while action continued.

Hundreds more ambulancemen were said to have decided on indefinite strike action over the weekend, in spite of union policy that emergency services should be maintained.

In West Yorkshire, 19 of the 23 stations were reported to be affected. Other areas facing serious disruption included Powys, mid-Glamorgan, Manchester, Gloucestershire and Merseyside.

Emergency services in the worst hit areas are being operated by army and RAF ambulances with help from voluntary organisations such as the Red Cross and St. John Ambulance Brigade. Police are providing escorts.

The Department of Health and Social Security said that the ambulancemen's action was "fragmented," and decisions on how to operate emergency services were being taken locally.

The Department said less than 500 of Britain's 2,300 hospitals were still limiting admissions because of action by NUPE's hospital ancillary staff.

It said, however, that the situation was "very difficult" in North West England, Yorkshire and Trent because of strikes in laundries and sterile supplies departments.

State industries seek pledge on targets

BY ROY HODSON

MINISTERS will be asked this week by leaders of the nationalised industries to reaffirm the Government's commitment to financial targets for the nationalised sector.

The Government's decision last week to allow the Price Commission to freeze domestic electricity prices for up to three months for an investigation is seen by the Nationalised Industries Chairmen's Group as a retreat from strict new rules designed to make nationalised industries pay their way.

Mr. Denis Healye, Chancellor of the Exchequer, recently assured the nationalised industries chairmen that the Price Commission would be overruled by the Government if it did anything to prevent industries reaching their financial targets.

That assurance was in the forefront of the electricity chiefs' minds when they heard that the Price Commission was planning an investigation into electricity prices. Departmental Ministers were consulted in meetings last week.

Sir Francis Tombs, chairman of the Electricity Council, was surprised that the Treasury did not veto the Price Commission plan. His last appeal was to Mr. Anthony Wedgwood Benn, Energy Secretary. Mr. Benn held up the Price Commission announcement for further consideration, but finally also decided against applying the veto.

The Electricity Council believes the withholding for up to three months of price rises to domestic consumers averaging 8.6 per cent will simply result in a bigger increase later.

The Council said: "Area electricity boards will not be able to meet their financial targets for the year 1979-80 without the imposition of even higher domestic tariff increases than were originallyl planned later in the year. In the interests of our domestic customers, this is something we are most anxious to avoid."

The Price Commission is anxious to make the most of its first general probe into electricity prices, and is expected to investigate as far as possible between now and the end of May. It wants particularly to know more about the area boards' accountancy methods, which it suspects are too conservative. It will also be interested in the costs of administering the area boards and staffing levels compared with service to the public.

In view of the limited time the commission is expected to make special studies of perhaps two area boards out of the 12 in England and Wales.

The Electricity Consumers' Council has welcomed the electricity prices freeze and the investigation. Mr. R. Coldwell, secretary, said the council had been giving top priority to the price of electricity, which had risen at a faster rate than other retail prices in recent years.

'Tough line' advice to engineering chiefs

BY PAULINE CLARK, LABOUR STAFF

EMPLOYERS in more than 6,000 engineering companies are to be advised in a special circular this week to take a tough line on industrial action.

They will be told, for example, that industrial action such as go-slows, refusal to work normally and blacking should not be tolerated for more than a few days—and that a warning with a period for reflection should be followed by suspension without pay if workers do not respond.

The new code of practice for employers' conduct during disputes and industrial relations crises is being sent in a booklet to all members of the Engineering Employers' Federation, which wants employers to take a firmer and more united stand against abuse of union power.

The guidelines have been prepared by a special working party set up last year by the federation and their appearance will coincide with this week's resumption of national pay negotiations in the engineering industry.

Mr. Anthony Frodsham, director general of the federation, said yesterday, however, that there was "no magic timing" in the issuing of the guidelines which would have more relevance to any disputes arising from local pay negotiations which take place throughout the year.

Employers will be advised that there should be no delay in laying off other employees to limit a company's losses during industrial action. In addition, there should be no special treatment for workers hit by the action, such as agreements to pay lay-off pay, compensation for lost wages, loans or other benefits to cushion the effects of the action.

Urging a united stand by employers, the federation calls on members not to recruit strikers from other companies during strikes, nor to take over the work of companies hit by action. It asks them to refrain from putting pressure on supplying companies to make an unsatisfactory compromise settlement to end a strike.

On the question of the employers' approach to shop stewards, the booklet says: "Abuse of the position and powers of stewards should not be accepted. Concessions in bargaining should not be motivated by a desire to enhance the prestige of stewards."

Continued from Page 1

Mid-East

lishing autonomous government for the Palestinians living on the occupied West Bank and Gaza Strip.

The Egyptian semi-official Press is making no effort to woo King Hussein. The newspaper, Al-Ahram, prompted by the king's meeting on Saturday with Palestine Liberation Organisation leader Yasser Arafat, accused Hussein of having his hands stained by Palestinian blood, while Al-Akhbar urged him to stop "clowning" and return to his senses.

Contrary to earlier expectations, the Egyptian People's Assembly (Parliament) will not vote on the peace treaty before it is signed by President Sadat in Washington next week. It will be asked instead to ratify the document—a foregone conclusion, as Mr. Sadat's 316-strong National Democratic Party totally dominates the assembly.

James Buchan reports from Jeddah: Mr. Brzenzinski left Riyadh yesterday after talks with King Khaled, Crown Prince Fahd and Prince Saud al Faisal, the Foreign Minister, with little to show for the attempt to enlist Saudi support for the proposed peace treaty between Egypt and Israel, linked with proposals for an increased U.S. role in the security of the Middle East.

Continued from Page 1

Confidence vote

The 10 Ulstermen hold the balance.

Three or four of them will almost certainly vote against the Government and if the rest decide to abstain, Mr. Callaghan will have lost. They key question is whether they will decide to support the Government—and if so, for what reason.

A veiled indication of the party's tactics came af the weekend in speeches from Mr. Enoch Powell who is not the official leader of the group, but who exerts considerable influence over tactics. He is motivated partly by an extreme dislike for Mrs. Thatcher but this might not be enough to persuade his colleagues to troop into the Government lobby.

The hints dropped by the enigmatic Mr. Powell were that the Ulster Unionists might consider it worthwhile keeping Mr. Callaghan in office if he could offer progress towards local government reform in the province, and if there was a promise to build a pipeline to connect Ulster with cheap North Sea gas supplies.

The initial reaction of Ministers to the pipeline scheme was that there was no intention of using this as a pawn in the devolution game, but Tory MPs were suspicious that Mr. Callaghan might grasp at any straw in order to stay in office.

Mr. Powell stressed in a speech in Northern Ireland on Friday that the pipeline was commercially viable and there was no single decision that could benefit the province more. The attraction of the pipeline would be to cut fuel costs in the province, which are appreciably higher than in the rest of the UK.

THE LEX COLUMN

Bidding banks get cheques ready

The decision of the U.S. Federal Reserve to approve the three British bids for American banks removes much of the uncertainty which has surrounded them in the minds of investors.

It seems virtually certain that Standard Chartered's $372m bid for Union Bancorp will be consummated this year and the same goes for NatWest, although the latter might have to buy out the minority in National Bank of North America which could increase its bill from $300m to $400m. However, Hongkong and Shanghai still has to get the blessing of the New York State Superintendent of Banks, which is not going to be all that easy, given the tone of recent comments coming from that office.

For the UK banks, at least, the Fed move will increase the speculation on how Standard Chartered and NatWest are going to finance their prospective purchases. As the dollar has depreciated by over a tenth against sterling since the deals were initially announced, the cost has fallen in sterling terms, and the substantial goodwill element in both deals has also declined.

However, both banks still have to find close to £200m apiece (assuming NatWest buys full control of NBNA). Given the current market capitalisations of Standard Chartered (£334m) and NatWest (£780m) the amounts involved are fairly substantial and can only increase the speculation that sooner or later both banks will return to the rights issue list. They last appeared in 1976 when NatWest raised £66m and Standard Chartered £32m.

Of the two, Standard Chartered seems the more immediate candidate. It has raised just over £100m of subordinated debt over the past couple of years and has scope for issuing maybe another £50m of debt assuming its shareholders' funds are currently over £400m. However, the $180m worth of goodwill which it will have to consolidate will put pressure on its free capital ratios.

It anounces its end-1978 results in less than a month's time. And with the share price currently trading close to its highest levels for three years, Standard Chartered's Board will no doubt be watching closely the stock market's reaction to the news that it can proceed with its bid.

Unlisted markets

Last week's "flotation" of Applied Computer Techniques on to the unlisted market, which shelters under the Stock Exchange's Rule 163 (2) (a), highlights the question of the role of the official stock market in dealing with small companies. The virtual absence of small investors seeking full listings in recent years shows that the Stock Exchange has simply ceased to appeal to the entrepreneur.

There is, to take just one example, a whole new modern industry in computer services and software which is almost unrepresented on the stock market. It is an industry which investors are prepared to value extremely highly, to judge by the current fully taxed p/e ratio of 30 on ACT. The encouragement given to the unlisted market shows that the Stock Exchange Council is ready to move cautiously in this direction. But in doing so the Stock Exchange is courting serious dangers: however tempting a two-tier market may look in theory, it will be very difficult to get two sectors to cohabit satisfactory under one roof.

Business in unlisted shares under Rule 163 (2) has been expanding quite rapidly in recent months. In the second quarter of 1978 turnover was about £0.5m a week, but by the end of the year this figure had risen to around £1m and now weekly turnover is up to the £1½m-£1¾m area, which represents about 450 bargains. This remains tiny in relation to Stock Exchange equity business as a whole, which in the past fortnight has boomed to a level of around £150m a day. Nevertheless, some of these ostensibly unlisted shares are traded more extensively than those of many of the several thousand quite small companies which retain a full stock market listing.

There is therefore a clear possibility that listed small companies will start to desert to the unlisted market on a significant scale, jettisoning the burdensome "Yellow Peril" listing agreement. The Stock Exchange's regulatory authority would then become undermined, and it would take only a few juicy scandals among the unlisted sector to start a political bandwagon rolling inexorably towards the establishment of a U.S.-style Securities and Exchange Commission.

The launch of ACT provided some examples of the high jinks which are inevitable in a fringe market. Placed by Singer and Friedlander at 95p, the shares promptly more than doubled inside two days to reach 194p. To be fair, big premiums have also been seen at times on the official market — notably on another "technology" high-flier Eurotherm. But volatility was bound to be increased by the fact that only 10 per cent of the shares were placed initially, in contrast to the irksome Stock Exchange rule that at least 25 per cent of a company should be sold in an official flotation.

In marketing ACT, Singer and Friedlander produced a lengthy prospectus, including a report by Peat Marwick Mitchell. The bank also arranged for the directors to sign a sponsorship agreement, which duplicates some of the provisions of the Stock Exchange listing agreement. This is fair enough as far as it goes, but should such issues become at all commonplace it is going to be very hard for investors to keep track of where such agreements exist, and whether they can be enforced.

Small companies

The Stock Exchange is being pulled two ways. On the one hand prospects for the small company sector look brighter than for some time. Many more institutional investors are now organised and motivated to dabble in small companies, partly because of the kind of politico-economic arguments which have been aired in the Wilson Committee evidence, partly for the simple reason that small companies' shares have been performing well. Now flotations such as that of ACT have proved to potential company promoters that the right kind of issue can command a really attractive price.

Moreover the Stock Exchange dares not allow an unregulated rival market grow up on any appreciable scale, for that would threaten its central role in the securities market, and undermine the practicability of self-regulation in the City.

On the other hand, the Stock Exchange will not wish to take on any responsibility for the unlisted companies. The fear will be that for all the cries of caveat emptor any future scandals are still likely to rub off to some extent on the official market. Can the public be expected to appreciate the technicalities of the difference between a listing and a mere "facility for dealing"?

As things stand, the Rule 163(2) unlisted securities market is still at an experimental stage. But if it develops much further the Stock Exchange will have to decide whether it should be turned into the formal second tier of the stock market, with all the upheaval that would mean, or whether the facility should be restricted to those companies which are genuinely using Rule 163(2) as a halfway house on the route to a full listing.

Weather

UK TODAY

CLOUDY over England and Wales, clearing with scattered showers in the South. Wintry showers and some sun in the North and Ulster. Max. 9C (48F).

London, S. England, E. Midlands, Channel Isles
Some early fog with bright intervals. Some sleet or snow in the East.

Wales, N., E. England, W. Midlands, Ulster, Isle of Man
Occasional sleet or snow showers with sunny intervals developing in the North, East and Ulster.

Scotland and Shetland
Sunny intervals with some wintry showers. More general rain or sleet later in the North and Shetland.

● **Outlook:** Sleet or snow tending South followed by bright intervals and showers. Cold with night frosts.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	16	61	Locarno	R	5	41
Algiers	S	19	66	London	C	7	45
Amsdm.	C	3	37	Luxmbg.	R	3	37
Athens	S	17	63	Luxor	S	28	82
Bahrain	S	29	84	Madrid	F	10	50
Barclna.	S	13	55	Majorca	S	17	63
Beirut	F	18	64	Malaga	C	12	54
Belfast	Sn	1	34	Malta	S	20	68
Belgrd.	S	19	66	M'chstr	C	4	39
Berlin	C	0	32	Melbne.	C	17	63
Biarritz	F	13	55	Milan	R	8	46
Bmghm	C	4	39	Mntreal.	C	−2	28
Blackpl.	R	4	39	Moscow	R	−2	28
Bordx.	C	9	48	Munich	F	10	50
Boulgn.	F	8	46	Nairobi	S	24	75
Bristol	Sl	3	37	Naples	F	15	59
Brussels	R	3	37	N'wcstl.	Sn	0	32
Budpst.	S	13	55	N. York	S	8	46
B. Aires	S	26	79	Nice	C	13	55
Cairo	S	23	73	Oporto	R	8	46
Cardiff	C	4	39	Oslo	S	−9	16
Cas'b'ca	C	16	61	Paris	C	6	43
Cape T.	R	18	64	Perth	C	30	86
Chicago	C	9	48	Prague	C	8	46
Cologne	F	8	36	Reykjvk.	Fg	−2	28
Conhgn.	F	−5	23	Rhodes	S	18	64
Dublin	C	4	39	Rio J'o	S	30	86
Dbrvnk.	F	15	59	Rome	C	16	61
Ednbgh.	F	1	34	Salzbrg.	F	13	55
Faro	R	17	63	Singapr.	S	28	83
Florence	C	14	57	Stckhm.	F	−7	19
Frankft.	C	8	46	Strasbg.	C	7	45
Funchal	R	14	57	Sydney	R	23	73
Geneva	C	3	37	Tangier	F	15	59
Gibrltr.	C	12	54	Tehran	S	20	68
Glasgow	C	0	32	Tel Aviv	C	18	64
G'nsey	F	7	45	Tenerife	S	15	55
Helsinki	S	−9	16	Tokyo	C	15	55
H. Kong	C	16	62	Toronto	S	6	43
Innsbrk.	F	11	52	Tunis	S	20	68
Invrnss.	F	−1	30	Valencia	C	17	63
Istanbul	S	15	59	Vienna	S	12	54
Jersey	F	7	45	Vienna	S	12	54
Jo'burg	S	29	84	Warsaw	C	−4	25
L. Plms.	F	19	66	Zurich	C	7	45
Lisbon	C	12	54				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

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